# Follow the (Responsible) Money Blog

November 2023

"We are living in truly exciting times". I said this in my previous (July) blog. I spoke of the many reasons that I believe, as investors, we can be optimistic about the future, especially as it applies to our wealth and building it in a responsible way over the long term.

I still believe these things, but I must admit, there are weeks (sometimes months) where my normally sunny view of the world gets seriously tested. Given events and conditions over the past quarter, I would be tone deaf if I pretended that everything's great and we just need to be patient when looking at our portfolio. Just itemizing things that most of us are exposed to in the news recently – not just one war (in Ukraine) but now another between Israel and Hamas, and the concern that there could be bigger conflicts ahead; inflation still unacceptably high, costing us more to fill our gas tanks and buy groceries; higher-for-longer interest rates adding to the costs of owning or renting a home; this week's climate catastrophe, a Category 5 hurricane coming up out of nowhere and devastating Acapulco; more appalling gun violence south of our border – it is easy to feel weighed down with worry.

And then you opened your September investment statement: "what the heck happened?" you asked (and you have been asking!), and how are these "responsible" investments serving me lately?

So, I'll address the elephant in the room, which is to say that the past quarter in the stock and bond markets has been pretty awful. We said that about most of 2022, when we were shocked by the meteoric rise of both inflation and the interest rates that are supposed to reduce it. We expected that things would improve in 2023, and they did for the first part of the year. But inflation has been stickier than expected, and the Canadian economy, while still not in a recession, is slowing. Many companies are seeing this reflected in reduced profits (higher interest rates means we spend less, which is the point). People sell their stocks, which causes market values to fall. Even if you aren't selling, the "snapshot" of your portfolio's value, according to your monthly statement, is the reflection that your investments were less in favour than the month before.

Meanwhile, everyone is feeling less wealthy, if not completely squeezed.

However, there are bright spots on the horizon. Here is some perspective, which I hope will help to make you feel better:

- People still have jobs, and though there have been a few layoffs, unemployment remains low, and there have been some significant wage increases in certain industries. Despite costs being higher, most households can manage, as long as their jobs are intact.
- We're close to the top of the interest rate increases. The Bank of Canada held its prime rate at five per cent this week, and we anticipate that they may be done. While we all hoped that by now they might have started cutting rates, even leaving them where they are for awhile gives market participants the chance to price it into their forecasts, which promotes stability.
- Inflation is coming down, albeit slower than we'd like. Thanks, in part, to some of the bottlenecks in supply chains easing, you could probably build a backyard deck for a reasonable price now (compared to the spring of 2021).
- Dividends are fashionable again! If you're an investor that needs to take income from your portfolio, or even if growth is your objective, there are many good companies that pay a reliable dividend stream that helps to offset the temporary fall in the market price. Dividends "pay us to wait", as they say, and forms part of the "total return" that we're looking for from our portfolios in the long run.
- If you're a saver, you can party like it's the turn of the century! The corollary to it costing more to borrow money is we haven't seen interest paid on term deposits (around 5.5 per cent this week for a one-year GIC) and even parked cash (four per cent on high interest savings accounts) since the late 1990s.
- Responsible investments, like many publicly traded companies, are currently down in price. If anything, the apocalyptic fires, floods, and excessive heat many experienced this summer has impressed upon people that we have to invest in planet-saving strategies, and many companies engaged in these are currently on sale! So, there are some great opportunities to buy profitable companies engaged in reducing global warning, improving biodiversity, creating more safe, affordable, and resilient cities, and many other sustainable investment opportunities for the longer term.

It is always difficult to go through periods where there is so much negativity, and having it affect our wealth can make us feel panicky. It is precisely why it is important, at times like these, not to sell into the downturn. A plan for the future can help you step back and avoid making any hasty, emotional decisions. And talk to us! Many of you have called or asked for a meeting, which is why we're here. There are some things over which we have no control, but over other things we do. We can make tweaks as needed, help put your portfolio into perspective, and your mind at ease. Like the lighthouse image, we may not have control over the storm, but we can help guide you through it, and protect you during the process.

Meanwhile, let's hope, for everyone's sake, that the next quarter is a little less "exciting".

**Ginny Arnott-Wood, BA, CFP®, CIM®, RIS®**
*Wealth Advisor & Associate Portfolio Manager*
Raymond James Ltd.