QUARTERLY COMMENTARY

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The Weirdest of Years

Each year the Oxford English Dictionary publishes an annual "Word of the Year". For 2020 they had to come up with a multi-section "Words of an Unprecedented Year" volume, as their lexicographers felt the need to report more expansively on the "phenomenal breadth of language change and development during 2020". One word just wouldn't cut it.

For me, the word that most described 2020 was "weird".

Weirdly awful in too many ways:

- the arrival of an unforeseen global pandemic which has caused so much pain and death.
- the immediate remedy for a deadly virus, in the 21st century, is keeping your distance from other humans and wearing a mask. How medieval.
- a global shut-down overnight, schools closed, planes grounded, jobs vanished, and all the unprecedented economic strife which ensued.
- the isolation and emotional damage, particularly for the elderly, as pandemic lockdowns were imposed.
- more record-breaking climate-related catastrophes, such as wildfires in Australia and California, and so many hurricanes from the Atlantic that they ran out of regular names.
- social unrest, particularly in the US, wrought by racialized police killings, resulting in protests (and sometimes violence) across North America, not seen since the 1960s.
- the results of a US Presidential election that were contested beyond all reason, particularly by the President who lost, lied to his millions of followers that he won in a landslide, and still refuses to concede.

Weirdly wonderful in a few ways:

- fewer vehicles on the road / planes in the air during the spring lockdowns gave the planet a brief respite from air and noise pollution.
- many discovering that working from home was not only feasible, but maybe preferable to physically commuting to the office.
- governments stepping up and swiftly providing life-line cash for those suddenly unemployed.
- the awareness that "essential" workers are not just well-paid medical staff, police, and emergency personnel, but also include migrant agricultural and meat-plant workers, grocers, truck drivers, pet food retailers, pharmacy staff, and purveyors of alcoholic beverages (I would add to that list hairdressers and live-performance musicians, but that's just me).

- An unexpected feeling of gratitude for space, a simpler existence, the kindness of others, and appreciation of the things that matter most.

Financial services were deemed essential (another blessing for me and my family), yet one of the weirdest occurrences was the behaviour of the global stock market. If you look at the table below, it seems like it was a lackluster year for the TSX, an okay year for the US Dow Jones and S&P 500, and a spectacular year for the NASDAQ. On the surface those numbers belie the great pit in the middle: a heart-stopping decent of stock markets last spring, followed by the meteoric upturn in some sectors in the summer and fall, particularly those that support the "stay at home" scenario.

	2020 1 yr. return	Level	2019 1 yr. return	Level
S&P/TSX composite:	2.2%	17,433	19.1%	17,063
Dow Jones Industrial Avg.:	7.2%	30,606	22.3%	28,538
S&P 500:	16.3%	3,756	28.9%	3,231
NASDAQ:	43.6%	12,888	35.2%	8,973

So, where do we go from here? As I write on January 21, the US equity markets have hit new all-time highs, once again. The market is always forward-looking, and it seems to like what it sees. Covid-19 vaccines, new government stimulus, record low interest rates, and a return to a more normal life are all here or on the horizon. The new Biden administration seems to promise a more informed and thought-through approach to policymaking, which we expect to be market stabilizing (and insomnia reducing!)

As always, there will be pull-backs along the way, and of course something unimagined could happen this year that will send the markets (temporarily) into a major downturn. But, from this vantage point there is reason to be optimistic about the long-term direction of equities. And, given the rate of return on a 1-year GIC, sitting at less than 1%, it's hard to justify not putting at least some of your cash into good quality, dividend stocks, assuming a time horizon of three to five years or more.

Blessings to those on the frontlines who continue to keep us safe and sane in 2021. And let's hope for a little less weirdness going forward.

A few practical notes for tax season:

1. RRSP deadline to contribute for the 2020 tax-year is Monday, March 1, 2021. The maximum contribution is 18% of earned income to a maximum of $27,230 (not counting unused contribution room from previous years).
2. TFSA additional contribution for 2021 is $6,000. Total contribution room for new accounts is $75,500.
3. T-5 slips (for interest and dividends), T-4RRSPs and T-4RRIFs should be mailed out by the end of February. T-3 slips (e.g. from income trusts) have till March 31 to be mailed (though many are sent out earlier).
4. Trading disposition summaries (which include realized capital gains / loss information) should be mailed out by early April.

Many investors have discovered that they need to wait till early / mid-April to prepare their taxes, especially if they receive investment income from income trusts, REITs, or limited partnerships, as these tax slips take longer for companies to prepare and issue.

Raymond James Ltd. now offers an electronic delivery option for your 2020 tax receipts. You can elect to receive your electronic receipts on-line on our client website at https://client.raymondjames.ca. This secure "paperless" option replaces the traditional paper mailing of all your receipts and our online system will automatically notify you via email as each receipt is posted. To join our paperless campaign, please visit our website or contact me directly.

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