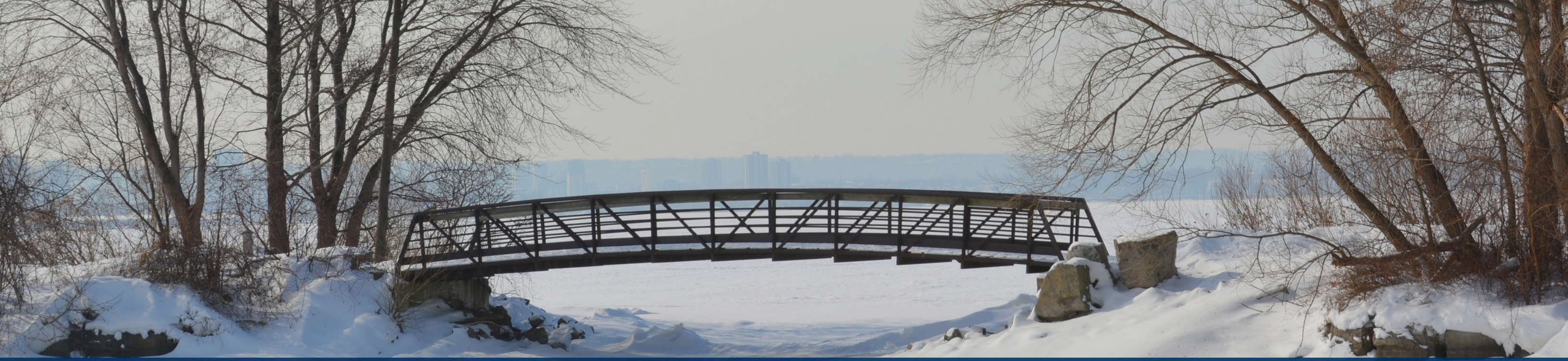

QUARTERLY COMMENTARY

WINTER 2023

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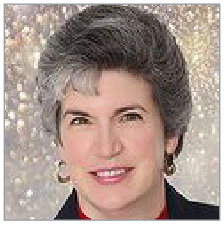

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Perspective is Everything

I've been a wealth advisor for more than twenty-five years. Over that period, I have seen a few market downturns, some of them sharp, but brief (Covid shut-down, March – April 2020), others very steep and truly frightening (Great Recession, October 2008 – March 2009). Looking back, in both cases, it is easy to identify the specific reason(s) that caused markets to tumble, namely unexpected negative events that caused uncertainty about what was coming next. Once there was an understanding of the risks that we faced, and how to price that risk, markets recovered, and, in fact, always regained lost ground, and then some.

For those of us who were investors during the dark days of late 2009, when every Monday morning seemed to bring a new, unthinkable event (one week Lehman Brothers went bankrupt, then Merrill Lynch, AIG, General Motors, and many others were on the brink), it was hard to imagine that the tanking stock market would ever recover. Let alone surpass its previous high-water mark. But it did: between October 2007 and March 2009 the Dow Jones Industrial Average fell from its high of 14,164 to a low of 6,594. From that scary number it rose to its highest ever on January 4, 2022, of 36,799.65. That's an annual average return of approximately 30%, and it represented a bull market that spanned nearly 13 years. It didn't go up in a straight line, of course, but fuelled by ultra-low interest rates for years, as well as extra cash paid to keep many afloat during the pandemic, the stock market rocketed up to that high-water mark at the beginning of last year.

And then… the party was over. There is no question that 2022 was an ugly year, and the hangover has been felt, in all quarters, all over the world. The headaches have included severe inflation caused by supply-chain disruptions, Covid-19 and its spawn are still causing havoc (especially in China), labour shortages, and that unforeseen and most tragic situation, the Russian war with Ukraine. Governments have tried to tame the wild inflation beast by cranking up interest rates at an unprecedented rate, which has added to the misery, especially if you have variable-rate debt or a mortgage renewal.

The market carnage that plagued us in 2022 felt like a slow, dull grind, rather than the painful but quick downturn and reversal in 2020. However, to put this into perspective: The Dow Jones ended the year at 33,147, losing approximately 9% from the previous year. No fun, and we may not be out of the woods yet, but there seem to be some positive signs that the worst is behind us. Inflation looks like it is easing, slowly, so the central banks may be able to stop raising interest rates later this year. Though layoffs in some high-profile tech companies have been announced, the labour markets in Canada and the US are still operating at high capacity, with many positions going unfilled.

Many of you will be receiving your year-end statements shortly, and it will be difficult not to be alarmed at the year-over-year negative numbers. There was really nowhere to hide – stocks were down, bonds were down. Can the markets (and your portfolio) recover? Of course, just as they have after every downturn in the past. The problems we face are complex, and the future is impossible to predict. However, when a market is beaten down like this, there is an appetite for good news, and it doesn't take a lot for that to translate into market improvement. There are always new opportunities for growth. Eventually the data will show that some of the negative forces upsetting the markets have been eased or resolved, and optimism will return. As long as you ride it out, and stick to your plan (you do have a plan, don't you? If not, we need to talk), this lousy year will also seem like just a brief bad spell on the way to better days.

Meanwhile, here is the good, the bad, and the ugly, as of December 31, 2022:

	3 Mth. ret.	YTD ret.	1 Yr. ret.	3 Yr. ret.	5 Yr. ret.
S&P/TSX composite:	5.1%	-8.7%	-8.7%	4.3%	3.6%
Dow Jones Industrial Avg.:	15.4%	-8.8%	-8.8%	5.1%	6.0%
S&P 500:	7.1%	19.4%	-19.4%	5.9%	7.5%
NASDAQ:	- 1.0%	-33.1%	-33.1%	5.3%	8.7%

Source: FactSet, Morningstar, Raymond James Ltd. All return numbers greater than one year are annualized.

Some reminders:

1. RRSP deadline for the 2022 tax year: Wednesday March 1st.
2. TFSA new contribution limit for 2023: $6,500. The cumulative contribution limit for new TFSA accounts is now $88,000.
3. Tax information packages for Raymond James clients will be coming your way very soon.
4. The new Canada First-time Home-buyer's Plan is coming this year. More information will be available soon and we expect to be able to start opening accounts in June or July.
5. Raymond James Trust (Canada): Being named as executor for a friend or relative's estate is not an honour – it's often a burden, with huge responsibility and time commitment, and liability if you don't get it right. Talk to us about using Raymond James Trust to provide estate, trust, and POA for property services when updating your will.

… and remember, just as spring will follow winter, there are better days ahead!

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