

November 2022 Market Update

As autumn comes to an end and winter begins to set in, a positive for the weather outlook is that we are only five weeks away from daylight starting to get longer.

Here we are in the middle of November, and wild swings in the equity and fixed income markets continue — both positive and negative. As we wrote last month, when September is as bad for the markets as it was, October is often where a bottom is found and a recovery occurs. This bounce did happen this year. Today, most market indices are higher than they were at the end of September.

A contributing factor in this flash of optimism comes from the Bank of Canada (BoC). At their October 26 meeting, the BoC chose to increase interest rates less than had been forecast. Bank of Canada Governor Macklem commented that the previous interest-rate increases were starting to have the desired impact on the economy (as we also wrote about last month) and that we are nearing the end of the interest-rate increase cycle. This is good news. The US Federal Reserve has more interest rate hikes coming, and will probably raise rates more than Canada. Interest rate increases will impact Canadians sooner and harder than with Americans, as Canadians carry higher debt levels on average than in the US. Inflation remains very high, but is slowly improving. Canadians are slowing some of our spending habits — this helps with inflation. We could now use some help from our federal government who should be showing more fiscal restraint. Don't spend all the money just because it is in the bank. The Government should be saving something to provide stimulus if/when we experience a recession.

The US midterm elections are over and, although we still don't know the final results, it does appear that they will have a divided congress with each house controlled by different parties. Overall, the markets seem to like this set-up, since few pieces of legislation can be expected to be approved over the next couple of years, and no grandiose-spending packages will be approved. (Please see comment above regarding the importance of government fiscal responsibility.)

I think that we can all acknowledge that much has changed in the world over the past three years. From the pandemic to global political risks in China and Russia/Ukraine, our steady ability to plan for our financial future has been upended. Prior to 2020, the equity and fixed income markets saw a decade-long period of strength, low interest rates, and relatively low inflation. We could plan for our future, and for our retirement with a good degree of confidence. This confidence is currently being questioned.

This brings forward a risk that is often not discussed — longevity risk. The good news is that many of us are living longer, and more productive lives. The downside is that 'living' is not free. Living longer means we may need to accumulate more assets to achieve our desired retirement lifestyle. An increasing number of Canadians do not have a pension plan. For those who do, many of these are defined contribution pensions. A defined contribution pension differs from a defined benefits pension in that your retirement income in a defined contribution plan is determined by the performance of the investments within the plan.

In the world today, many of us should be developing a financial plan for our future. These plans must be reviewed on a regular basis. As the world and financial markets change, so must we. Our team will certainly work with you in developing your personal financial plan to deal with longevity risk.

On a somewhat related note, our team is hosting a webinar on Tuesday, November 29th on The Responsibilities of an Executor. I will suggest that this webinar will be valuable to most. The role of the Executor is much more complicated today than several years ago. There are potential risks and liabilities that go with this job. If you have appointed a friend or child to be your Executor (or you are that friend or child) it would certainly be an hour well spent. If you would like to attend, please notify Isabella on our team and she will forward you the link.

A couple of other items:

- 1) Year-end tax planning. We will be discussing with you your realized capital gains and losses to see if there is anything that could be done to reduce tax liabilities before the end of the year. Also, be aware of any CRA deadlines for tax benefits such as RESP contributions, etc.
- 2) CIBC Wood Gundy Online has expanded its paperless capabilities. You can now suppress your future tax documents to eliminate mailing delays and increase privacy and security. Please notify Isabella if you would like any assistance in updating your mailing preferences.

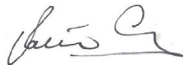
Please reach out to us at any time with questions, concerns, or topics for discussion.

As always, remain optimistic yet cautious.

Best Regards,
CIBC Wood Gundy



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