



CIBC PRIVATE WEALTH  
WOOD GUNDY

## October 2022 Market Update

Welcome to October. Investors are all glad to see September in the rear-view mirror. The historical reputation for September as the worst month for equity markets certainly proved accurate this year. September saw no place to hide for investors. The TSX 300 was down 4% for the month, and is down 13% so far in 2022. Bonds and preferred shares saw selling return during the month and their values showed more declines. The Canadian dollar was also down about 6% vs the US dollar in September. The US equity and fixed income markets fared even worse with the S&P500 down almost 9% for the month and now down 24% so far in 2022.

In our search for optimistic news, when we experience a poor performing September, more times than not, we find the bottom in October and enjoy a market bounce.

As we have said several times, and by now we all know, we are in an investment “bear market”. Where “bull markets” are fun, enjoyable and relaxing, “bear markets” are not fun, frustrating and stressful. In our constant reminder to remain calm and patient, I point to a quote from Sir John Templeton, a renown successful investor who said “bull markets follow bear markets, and bear markets follow bull markets”. Eventually, we will get the return of a fun, enjoyable bull market.

Why was September an awful month for investors? With the supply chain issues, cheap/free money available over the past couple of years, inflation has become a dominant concern. The Bank of Canada and US Federal Reserve appears adamant to get inflation down to its arbitrary 2% rate. The main tool for central banks is changing interest rates, and rates are being moved up quickly and sharply. Any impact of interest rate increases does not get felt in the economy for several months. A concern right now is whether the Bank of Canada and US Federal Reserve are acting too harshly and continuing to raise rates without knowing the effect earlier rate increases are having on the economy.

If central banks are acting too rash, this increases the chance that they send the economy into a recession. In Canada over the past several weeks, incoming economic data suggests the early interest rate increases are doing their job and slowing growth and slowly lowering some inflation pressures. The Bank of Canada does need to be careful going forward. Still I continue to believe that Canada may experience a short and mild recession in the coming months. Ironically, if we do experience a mild recession, the Bank of Canada could help the economy get through the period by cutting interest rates which is positive for bonds, preferred shares and equities. A bull market.

As we remain calm, patient and focus on the future, another quote comes to mind from Ian Wilson (Former GE Exec) “no amount of sophistication is going to allay the fact that all of your knowledge is about the past and all of your decisions are about the future.”

As investors, we will always remain focused on the future, and strive to ensure financial success in the coming years (not days or weeks). A part of this focus is to remain committed to income investments. Whether from bonds, preferred shares, or good quality equities, we want a stable

investment income level that allows us to come through these challenging times and markets stronger than we started.

The investment markets will always experience periods of poor performance. A year with negative investment returns does happen. Our focus right now is to plan for the future and ensure that we are well positioned to ride through the current cycle, and to benefit from the upcoming (whenever this happens) positive market and cycle.

On a non-market note, our Team is planning on hosting a webinar on “Responsibilities of an Executor.” I encourage your attendance at this educational event as the roles and responsibility of an Estate Executor are increasingly complex. Whether you are appointing an Executor for your own Estate, or have agreed to be an executor in someone else’s Estate, this webinar will be informative. More information to follow.

Please also feel free to add us on LinkedIn for additional news, resources and updates. Our LinkedIn details are included in our signatures below.

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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