



JUNE 2021 MARKET UPDATE

What a difference a year makes!

As we start to head into summer, we can only look back at the past 15 months as a blur. From an investment perspective, March of 2020 saw the collapse in equity prices and the start of an economic recession. Within several weeks, the equities were pulling back up and the economic data was improving. Today, we have both Canadian and U.S. equities indices hitting new all-time high levels. One key lesson we need to remember from March of 2020, is not to panic in times of cyclical crisis.

Remaining calm and patient will usually win the day. In March 2020, we addressed a number of questions including “Do I sell and get out?” the correct answer was “No”, the question “Do I use the weakness to invest more money?” The answer was “maybe”.

The past 15 months prompts us all to look and assess a necessary component of life. That component is “Risk”. What is Risk, and how do we measure it? Almost every aspect of our daily lives carries risk, and subjective regulations that are created to deal with it. From the establishment of speed limits on our roads and highways, to building codes, to the required equipment in participating in sports, all attempt to measure and deal with risk. Today, our politicians and health officers all attempt to determine an acceptable level of risk in opening up society. The physical and emotional risks of opening restaurants, bars, casinos, stadiums and borders. Officials must also measure the physical and emotional risks associated with keeping these many aspects of society closed. Our individual perception of risk is everything. Our perception of risk determines whether we get into our car each day, or whether we climb that mountain, or travel to a remote place on earth. Without acknowledging it, we ask ourselves several times every day - “Can I live with this much risk?”

These same questions come up when we look at investing and assessing our portfolios. Not only do we need to look at how much risk you can handle in your investment portfolio, but also how much risk do you want to have? These past many months has seen the field of wealth management dealing with risk on several different and changing fronts. We are seeing the increase in Do-It-Yourself investing, where individuals speculate on out-of-favour companies to try to make some quick dollars. There are a number of examples of social media induced investing driving up the stock prices of near-bankrupt, or sleepy companies. The consequences of much of this risk taking has yet to be felt.

For many low-risk investors, the issue of declining interest rates requires an internal assessment of risk. Investors with maturing GICs or bonds have been reinvesting into the same vehicles at considerably lower rates. In these situations, the individual must ask themselves whether their lifestyle can handle this lower investment income level? If not, the individual must either spend some of their investment capital to maintain the lifestyle, or reinvest in different, higher yielding investments. Both solutions carry a different level of risk in their portfolio.

In Canada, regulators and investment firms face a very simple and singular measurement in assessing a risk rating on every investment. One could argue (as I regularly do) that the assessment of investment risk is much more complex than how regulators and investment firms present. If an investor has a RIF invested entirely in GICs and in maintaining all GICs, requires large withdrawals of capital each year to live, where is the greater risk? The risk of switching to non-GIC investments? Or the risk of outliving your money?

As I mentioned earlier, our individual perception of risk is everything. These are risks and potential consequences to everything we do - including doing nothing.

Our individual assessment, measurement and perception of risk has changed over the past 15 months. Within our investment portfolios, we will continue to discuss and review over the months ahead.

And speaking of the months ahead, Valerie and I are planning to hold a series of virtual presentations/webinars. We will be reaching out to specialists in their fields for us to cover topics such as Fraud prevention, Powers of Attorney, Preparing your Will, etc. You will be hearing more from us on these special events in the weeks and months ahead.

In line with the above-mentioned topics and a few administrative matters to keep in mind:

- Update your online passwords regularly to protect your privacy.
- Let us know if you have intentions of gifting assets to family members or a charity.
- Keep us informed of your carryforward capital loss if applicable.
- You can also find us on Linked In where we share other sources of information that may be of interest.

Stay safe, stay healthy, and as always, remain optimistic yet cautious.

Best regards,
CIBC Wood Gundy



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Ron A. McQuarrie is a recipient of CIBC Wood Gundy's
Senator Council Award – 2020

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