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January 2019 Market Update

We enter 2019 looking for a better investment year than 2018. The past year has no doubt been a difficult time for investors. The current market weakness can be alarming and bring about concerns for the future. The question is “will this correction ever end?”. In our view, the answer is a very clear - yes. We wish we knew when the negative sentiment and fear would stop, but that crystal ball broke a long time ago. At some point, investors will realize that the world did not end, businesses continue to be profitable, and optimism will return. Certainly, 2018 was not a good year for the markets. For 2018, the Toronto TSX300 was down 11.6%. The S&P500 in the U.S. was down 6.2%.

Many of the same concerns that existed at the end of 2018 are around to begin 2019. A global trade war, rising interest rates, a housing slowdown, and sharp declines in oil prices all weigh on the Canadian market. Even the speculative hype around marijuana stocks couldn't hold the faith, and pot stocks finished the year negative territory.

We will look at our December portfolio statements and wonder whether we will return to higher levels. Again, we say the answer is Yes. At some point, the solid fundamentals of good quality companies and our growing economy will be rewarded. The economies of Canada and the U.S. remain solid. Economic growth (particularly in the U.S.) is slowing, but continuing to grow. The market weakness of 2018 is not reflective of these positives. There will be some resolution to global trade disputes, political dysfunction in the U.S., Canada, and Europe has had a role in this volatile market correction. It can be expected that some, though not necessarily all, of the global political issues will find a positive outcome in the year ahead.

In these volatile and uncertain markets, it is important for us to focus on the long term. We have seen these kinds of market corrections before (i.e. 2011), and by focusing on a company's long term fundamentals, our investment goals and objectives remain solid.

In the coming weeks, we will be in touch with you to review the past year and to look forward to ensure your investment portfolio is positioned to meet your personal objectives. Also please note that the Tax-Free Savings Account contribution limit has increased to \$6,000 per investor for the 2019 tax year.

As always, remain optimistic yet cautious.

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We wish you a Happy and Healthy New Year!

Best regards,
CIBC Wood Gundy



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