



January 2020 Market Update

Welcome to 2020. What a difference one year makes. In this update letter a year ago, the focus was on remaining positive and confident. Entering into 2019, fear was a dominant concern, and some wondered when the investment markets would turn positive. We began 2019 following a sharp correction in the markets to end 2018. Now, one year later, some pundits are trying to forecast how high the market values can go.

Canadian and U.S. investment markets certainly had an outstanding 2019. The TSX Composite Index was up 19.1% for the year. The U.S. equity markets were even stronger with the DOW Jones Industrials up 22.3% and the S&P 500 up 28.9%. Positive performance numbers were also reported by most global equity markets and commodities.

What has changed this past year to turn a weak, negative, concern-riddled market to a positive, confident, all-is-good in the world market? Well - not a lot. Many of the excuses for the 2018 late year correction still exist. Global trade issues and disputes continue. Both the Canadian and US economies are growing, but at a very slow 2% pace. There is, however, some confidence that many of the trade issues will be resolved amicably. There is a US election in ten months and a US President seeking re-election. One item that changed throughout 2019 was the direction of interest rates. The US Federal Reserve changed course and started cutting interest rates in 2019. The already very low interest rate environment got even lower. Money is cheap. Investors and consumers love cheap money. The cost to increasing your personal or corporate debt level has been minimal. A concern with this scenario is that whenever our economy does experience a recession (declining economy), our central banks will have fewer resources to help get us out of recession. Please note, a recession in Canada or the US is not yet imminent. Similar scenarios should exist with the fiscal responsibilities of government. When economies are doing okay and employment is solid, excess revenues would be used to reduce debt, saving these monies for where the economy needs it most. Fiscal responsibility is not being exercised by governments in Canada and the US today.

The Bank of Canada did not lower interest rates in 2019. With Canada not following the U.S. in this area, the Canadian dollar strengthened during this year and currently sits at about 77 cents to the U.S. dollar. With Canada's non-resource manufacturing sector struggling, the Bank of Canada many consider lowering interest rates in the coming months with the goal of weakening our dollar.

So, as mentioned in the January 2019 Update "We will look at our December portfolio statements and wonder whether we will return to higher levels." Yes, we did return to higher levels. Heading into 2020, it can be said "We will look at our December portfolio statements and wonder whether we can expect similar returns in 2020."

The answer to that statement, is No - do not look for similar returns on your investments in 2020. We will target more normal returns of around 6% in 2020.

Your 2019 Portfolio Performance reports will soon be mailed to you. We will review and discuss your investments and financial situation to ensure they remain on plan.

A few other topics to briefly mention.

- 1) Your Tax-Free Savings Account (TFSA) contribution level for 2020 is \$6,000 and may now be made to a TFSA.
- 2) As you start collecting the necessary information to complete your 2019 income taxes, T3s, T5s, Gain/loss reports, etc will start to be available in February and continue through the end of March. Please make sure you have all tax items before filing your tax return. Please note, any of the CIBC World Markets tax slips when issued are also available online through your online account access.
- 3) Joining our team for the next few months is Indra Morey from the UVIC Co-Op Program. Please join us in welcoming Indra. Indra will be assisting with tax items and other administrative areas.

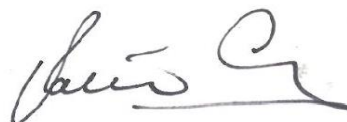
As always, remain optimistic, yet cautious.

Best regards,
CIBC Wood Gundy



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