



## JUNE 2020 MARKET UPDATE

We trust that all of us remain healthy, and calm in going about our daily lives. The world appears to be emerging from COVID-19 pandemic slowly, and with a long way to go. Still, we are heading in the right direction. The worst of the fear, shock and anxiety of the pandemic looks to be behind us. The past three months has seen the development of the most severe economic recession in 90 years. The shock of the economic collapse becomes difficult to fathom when we realize this is all self-induced. This is a deliberate, human-made recession. The road to recovery will not be as fast as the decline, but we expect it will be faster than any past recession.

This pandemic and economic shutdown is the focus of much of our attention, and will continue to be for some time to come. We are inundated with so much negative outlook - the tragic deaths, the high unemployment, the financial ruins of small business - that it is difficult to look to the future with any degree of positive thought. I read an article recently that suggested that with all the warranted anxiety and unease in our daily lives, it is important to regularly ask ourselves one question: "At a time like this, do we have any reason for hope?" I am confident that we all see hope somewhere in our future. Continually remind ourselves of the future with hope. We cannot get caught up in what is happening now. Look to the future. We are starting to be able to eat at restaurants again. We will visit museums, movie theatres, sporting events, concerts, and enjoy the company of family and friends. Avery Shenfeld, CIBC Chief Economist wrote an opinion piece recently looking at the future. This future is measured in years, not months. He suggested that those events in life that were changing prior to COVID will continue to change. More people will work remotely, an increase in on-line shopping. Many of the things in life that changed due to COVID will look to return to pre-COVID ways. The "new" normal may look a lot like the "old" normal. This will probably require a vaccine for us to re-acquire confidence and a positive outlook. Is there a reason for hope? Most certainly YES!

The investment markets have had a solid bounce from the March collapse. The equity market recovery has been very narrow and not yet involving many good quality companies. In fact, almost 20% of the S&P500 index valuation is comprised of just five companies. In Canada, Shopify is now the 2<sup>nd</sup> largest market capitalized company. Not trying to compare Shopify Inc to the TSX 20 years ago, but in 2000, the largest market cap Canadian company was Nortel Networks Corp. We do not want to re-hash those bad memories of 20 years ago, but the objective of these interesting trivia points is to remind us to remain focused on our long-term goals. Do not chase what may be becoming popular or trendy in the short term.

In the Canadian equity markets, it is slightly concerning, though understandable, that the Banks have seriously lagged in this recovery or market bounce. The major Bank dividends remain well covered as this sector works to help us get out from underneath the economic crisis.

As we look forward to the coming 6-12 months, volatility will continue. The recovery will not be a straight line upwards. The markets will face additional corrections over the summer. Not all businesses, big and small will re-open. Unemployment will remain high, even into 2021. We are seeing a re-start of trade disputes heading into a U.S. Presidential election. Individual emotional damage will become apparent as we come out the other side. And, of course we will need to figure out how we will all pay for the huge financial programs being put into place by governments and central banks. These numbers are truly staggering.

With the investment outlook, we look at many scenarios for 2021 and beyond. We will look at what sectors or companies will move up the ladder and may be considered for investing in a new economic world. We will see a number of companies be considered for investment, but a priority over the coming months, is to look at what companies, or sectors we will want to avoid for 2021 and beyond. We will be having these discussions over the coming weeks and months. During times of significant uncertainty, it becomes increasingly difficult to evaluate businesses for what they may bring, or not bring, to our future economic growth, but we will be going through this process.

As we head into summer of 2020, we will want to get outside, enjoy the sunshine and fresh air. Appreciate all that we do have in our lives.

At a time like this, do we have any reason for hope? Damn right we do!

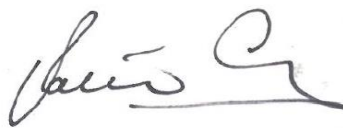
Valerie and I continue to focus on helping you achieve your personal and financial goals and objectives. Some of your personal goals may change as a result of this crisis. We are always here to work with you.

As always, remain optimistic, yet cautious.

**Best regards,**  
CIBC Wood Gundy



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