



## SEPTEMBER 2020 MARKET UPDATE

The dog days of summer. Be sure to enjoy the sunshine and outdoors as cooler weather will soon begin to arrive. Much has changed since COVID took hold early this year. We do know much more now about what we are dealing with and are better prepared to address the medical problems. Upon the beginning of the virus, and in the absence of a vaccine, it was felt that shutting down the economy was the best course of action. Minimize all interpersonal contact. The near closure of society allowed medical professionals to figure out how to deal with the pandemic and develop the health infrastructure.

Today, as we re-open business, and re-start the economy, society is realizing that this is much easier said than done. The damage to small business has been severe. Resurgence of the virus in a number of regions has added to the economic weakness. Politicians must face the difficult choice of re-opening the economy and minimizing infection. As we head into the seasonal cold and flu season, the continued existence of COVID will add to anxiety. Over the coming weeks and months, the economic path will remain uncertain and depend much on being able to keep the health issues in check.

Still, the medical path forward has much optimism. The work being done around the clock by medical and science professionals in developing a series of vaccines is exceptional. We see and hear of positive vaccine development news almost daily. We need to remain vigilant in our interpersonal dealing as we get closer to a vaccine.

On the investment front, the equity markets have (so far) recovered very strongly. The U.S. financial media reports the new highs being recorded on the benchmark S&P500. Most stocks, however, are not hitting new high levels. Over the past 12 months, the five largest S&P500 companies are up 58% while the rest of the market is up 1%. Apple's market value is now worth approximately the same as the entire German stock market. For bond or GIC investors, yields have collapsed to all-time lows. 80% of all bonds globally have yields less than 1%.

Why do we have this divergence between a few large companies and their rapidly rising stock prices vs the general market with a slower, more cautious recovery. First, many of the companies leading the way higher are ones that might be able to do well in a pandemic. Companies that allow you to live comfortably without ever leaving your home. Another reason is that the momentum from these strong performers continues upwards regardless of their financial results. These holdings are being bought more on the story they can tell rather than on analysis. The belief that we have a new "normal" where offices are redundant. Malls are unnecessary, and ordering food in to eat at home will continue permanently. "This time is different" is a key part of this belief. Though this time is different, these are four words that have not treated long term investors very well.

We do not know what the future will bring. We do not know what the new normal will look like once a vaccine is available to us all. What we do know, is that we will get through this health and economic pandemic just fine. Our personal lifestyles may look different in the summer of 2021, as may our business community and economy. We will continue to analyze investment portfolios to best manage our way through the crisis. The economic and business focus may change, and we will be prepared to change with it.

This month's quote goes to Charlie Munger (best known as Warren Buffett's business partner) who when asked about investing and the challenges that come with it, said "It's not supposed to be easy. Anyone who finds it easy is stupid."

It's holiday time. For the first time in 18 years, I will not be doing my driving trip south. Still, I will be taking a bit of time off, secluded in a cottage in BC's interior. I will be away from the office from Monday, September 14. I will be back in the office Tuesday, September 22. Valerie will be in the office for anything that you may need or want.

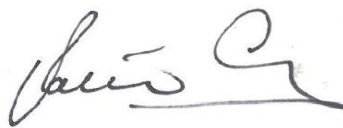
This is a good opportunity to bring to your attention as a friendly reminder to ensure you have a Will in place and is up to date. Also, a good practice, is to have a Legal Power of Attorney set up. These are important documents to provide you peace of mind and guidance to the ones you care.

As we head into an uncertain Autumn, stay safe, stay healthy.  
Always, remain optimistic, yet cautious.

Best regards,  
CIBC Wood Gundy



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