



## RED OCTOBER IS OVER.

### The U.S. Midterm Elections are in the rear-view mirror and NAFTA has morphed into USMCA. Now what?

- Ongoing tariff wars
- Rising interest rates
- Brexit and Italy's budget
- Saudi Arabia
- Inflation
- High consumer debt levels
- Slowing housing activity

It seems there is always something for the financial markets to be concerned about, hence the phrase, "the financial markets climb the wall of worry". If ever a day comes when there is nothing to worry about we would say the markets are fully priced to perfection and that it is time to cash in your chips and put it all under your mattress. We say that in jest, but we are sure the sentiment resonates.

If you refer back to our February 2018 Communique ([www.bakerfinancialgroup.com](http://www.bakerfinancialgroup.com) in the Market Insights tab) when the markets were correcting – we carry a similar sentiment today. We believe the markets are undergoing another correction in an ongoing bull market. Back in February, we called for increased volatility going forward and this appears to be playing out. Watch for our next Communique that will discuss market volatility and what to expect over the long term.

Red October was one of the worst monthly market performances in a decade resulting in nearly all global markets recording negative year to date results – the S&P and the TSX were both down more than 6 percent over the month of October. We view volatility as normal phenomenon of letting off steam in the markets and providing more advantaged buying opportunities for the long term. Volatility is our friend when looking for opportunities, it just doesn't feel good at the time.

U.S. Midterms are in the rear-view mirror. Elections always cause excess noise, misinformation and rhetoric. With the Democrats taking control of the House, there is more balance in the political arenas, which we think will play out positively overall.

NAFTA to USMCA is complete. While not a perfect deal, it is an okay deal for almost everyone except the dairy farmers. We think this will allow businesses to move forward with increased certainty around capital spending and outcomes. We should expect some noise about USMCA following the elections. However, we also expect cooler heads to prevail. We also believe Canadian businesses have opened their eyes to enhancing trade with other countries, which will lessen Canada's dependence on trade with the U.S..

The big issue in Canada now is a tax system that disadvantages both employees and employers relative to our competition south of the boarder. We are looking to the Federal and Provincial governments to take steps in narrowing those differences. The other issue is going to be how to signal to the rest of the world that Canada is open for business, find ways to get our oil and gas business back on track which will narrow the gap between WTI and WCS (price of U.S. Oil versus the price of Oil coming out of Canada). If carried out successfully it will bring a boon of foreign capital and investment into our great country. This will be positive in helping to support our social programs and foster GDP growth.

Remember to stay focused on the long term and much of the near-term noise and volatility will dissipate.

On behalf of Baker Financial group, CIBC Wood Gundy, we continue to work hard every day to be worthy of your trust.

Most sincerely,

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