Assante WEALTH MANAGEMENT

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Dear Client,

There were too many events unfolding toward the end of last year to recap; therefore, I am now taking the opportunity to address them as we begin a new decade.

The major detractor at the end of 2018 was the strong possibility of a recession in the U.S., with the odds standing close to 50%. Currently the odds of recession in 2020 stand at a much lower 20%, due to fiscal and monetary policies working in tandem. The resulting outlook for a sustained economic expansion over the cyclical horizon has much improved.

I will now elaborate on the factors that are contributing to the turnaround in investor sentiment held by North American investors. Here at home, the Bank of Canada is likely to keep interest rates unchanged on January 22nd as inflated consumer debt levels have not equated to high levels of inflation (which is presently in the targeted 2-2.2% range). The current unemployment figure of 5.6% is holding fairly steady, which remarkably has not been this low in Canada for over 60 years! A similar trend has occurred in the United States as the figure hit a low of 3.25% which was last seen in 1953 during the Korean War. However, many economists question the quality of jobs created and wonder how wage growth will translate into higher inflation in the future. Only time will tell as it remains a lagging indicator.

The markets south of the border set record high valuations mid-December being led by technology, communications and the financial sector. Banking in the U.S. benefited from a steeper yield curve as Net Interest Margins (NIM) and fee income resulted in very positive earnings. Widely held names in the Dow Jones Industrial Average (DJIA) which are most vulnerable to a price correction are Apple, J.P Morgan Chase, Disney and Microsoft, due to lower than average trading volumes.

Trade tariff negotiations with China were front and centre in the media for much of the year and still remain an area of concern. The potential loss in productivity during the trade disputes are estimated to top one trillion dollars if an agreement is not reached by the end of 2020. Both sides now appear to be content with a truce, and I suspect it will be resolved to the benefit of the global economy.

On December 11th, the world's largest IPO (Initial Public Offering) was launched as shares in Saudi Aramco traded for the first time and were oversubscribed almost immediately by 2.95 times. Trading in the secondary market brought the market capitalization to just over two trillion dollars, surpassing the value of previous record setter Alibaba. Some market participants think that Saudi Aramco should be trading at a discount due to corporate

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governance issues, as compared to other major oil competitors, since almost 98% of Aramco is government owned. The tensions in Iran will likely have a positive effect on oil prices for the near term as the U.S. sent additional troops to reinforce allied efforts in the region. The reality is that energy prices in the future will certainly affect all energy producers, whether they be state run/owned or publicly traded.

The Canada Pension Plan Investment Board (CPPIB), which is Canada's largest public pension, continues their global themed investment mandate as they recently allocated $600 million into India's infrastructure fund. India remains one of the fastest growing economies in the world and will likely provide additional investment opportunities for those with the tools to conduct proper due diligence. The CPPIB continues to hold a stake in the 407 ETR toll highway in Ontario which is partially owned by foreign interests. I find it interesting that the 407 ETR, in addition to the time of day use affects the per km cost, but also time of year! I guess the old adage of 'Time is Money' should add "Timing is Money".

I look forward to keeping you informed of important events both here and abroad, as they unfold. Wishing you a happy and prosperous New Year!

Sincerely,

David Beauchamp, CFP®, FMA, CIM, FCSI®
Senior Financial Advisor

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