

May 2018

Dear Client,

I trust you welcomed the arrival of spring and have assessed the condition of items left to the outdoor elements, hopefully with minimal disruption.

Since the beginning of the year we have witnessed many political and economic developments both here and abroad and it is natural to focus on recent events as the media provides a convenient timeline. The one topic that will be front of mind for most Ontarians will be the provincial election on June 7<sup>th</sup>. As political promises appear to be the protocol of getting/staying elected, this often leads to expanding deficits. In the short term this creates fiscal stimulus, unfortunately long term it can cause provincial debt downgrades which will increase the interest carrying charges for taxpayers. Adding to the current deficit are rumours of free daycare, free dental care, free prescriptions, free groceries, etc., etc. (I'm of course kidding about groceries, but you get my point). I am reminded of a saying my late grandmother said often which many a politician should heed, **“don't spend what you don't have”**.

This past February gave rise to the end of the longest running period for the S&P500 without a correction of 3% or more, which stood at 300 days! As the 10 year U.S. treasury bond rate pushed through the psychological level of 3% for the first time in 7 years while the dividend yield of the S&P500 hovers below 2% which remains a detractor. It is expected that volatility in the U.S. could pickup with heavy weight names such as Facebook, Apple, Amazon, Netflix and Google (which creates the acronym 'FAANG') leading the way. The broader market remains healthy as corporate tax cuts south of the border will increase corporate profitability and the possibility of additional corporate share buybacks.

Finally, the world can take a sigh of relief for the time being as North Korea recently agreed to suspend nuclear testing in the region to the relief of South Koreans and the developed world. This is welcomed news to market participants as it provides stability to the region which relies heavily upon global trade.

I look forward to keeping you informed of developments pertaining to your financial well being.

Kind Regards,

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Senior Financial Advisor

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(Source: Financial Times, CNBC)