



## 2016 Market Review

This time last year we were reflecting on a rather gloomy year for stocks around the world. Canada was the worst of the mature markets suffering a decline of 10.95%. Energy related stocks had a particularly difficult year in 2015 with the price of oil plunging more than 29%. Twelve months later we are looking back at a much different picture. Stock markets displayed strength across much of the globe with Canada among the top performers posting an increase of 17.51%. Energy related stocks led the way back as the price of oil surged 46%. The Canadian dollar rose a modest 3.07% against the US dollar, good news for those who migrate south during these cold winter months but still a far cry from where it was at the beginning of 2015.

US stocks also gained on the year, rising 9.54%, following a negative campaign in 2015. More than half of that increase came after November 8<sup>th</sup> when election results were clear. The knee-jerk reaction in the immediate aftermath of Trump's surprise victory was an 8% drop in Dow Futures which reversed course quickly with markets actually higher on the open. Through most of November and December the US market was buoyed by optimism that Donald Trump's policies would accelerate growth by way of cutting taxes and increasing government spending.

Before Trump shocked the world, becoming President Elect, the UK was the talk of the globe following referendum results which did not match the general consensus. After a very divisive campaign voters decided to divorce themselves from the European Union. Although stocks were initially

hobbled by the decision the UK market rallied and finished with a gain of 12%. The British Pound however began a precipitous fall on the news, reaching a 30-year low, and has yet to recover. The two year process of separation is slated to begin in March of 2017 but there is no certainty on how or when Brexit will unfold at this point.

The two most notable Asian markets finished 2016 pretty much where they started with Hong Kong's Hang Seng index up 1.7% and Japan's Nikkei 225 eking out a return of 0.42%. The MSCI EAFE index, which represents Europe, Australia, and the Far East, was down 1.9% on the year; the MSCI EM benchmark which represents emerging markets was up 8.6%.

Although we are heading into 2017 with a lot of market optimism there are some potential headwinds to be aware of. A great deal of the positive momentum has come from speculation on the potential economic impact of Trump's intentions. Although Donald Trump has promised to energize the US economy with fiscal stimulus, he still has a congress to work with. It should also be noted that the Federal Reserve decided to increase rates modestly in December and advised of further increases to come in 2017. When interest rates rise bond prices typically fall.

In Canada the economic data continues to show modest economic growth. The Bank of Canada remains

### ***Tax Highlights:***

Your **2016 RRSP contribution limit** is noted on your 2015 Notice of Assessment. The deadline for making 2016 contributions is March 1/17.

**TFSA** 2017 contribution limit is \$5500

**Tax Slips:** You may not receive all tax slips until mid-March. We strongly suggest you wait to file your return until after the middle of March.

**Interest paid** on government student loans is tax deductible.

**Education Credits:** 2016 is the last year education credits (\$400/month fulltime enrolment plus \$65/month for textbooks) will be available. Tuition credits can still be claimed going forward.

**Principal Residence:** Beginning in 2016, when you sell your principal residence, you must report the sale on your tax return. You will need to report the date you acquired the property, proceeds from the sale and a description of the property on Schedule 3. The sale will NOT be included in income and you will NOT pay any taxes on the sale.



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concerned about the level of household debt, which has hit record levels, and housing market imbalances. For those reasons we are unlikely to see interest rate hikes until 2018 unless there is a significant increase in inflation. The year ahead will be very interesting from many perspectives and we look forward to helping you navigate through it. We here at IPC Watermark wish you a healthy and prosperous 2017!

Jamey Morse, Sandra Parsons, Alexandra (Sandy) Esposito, and David Strachan *"The comments expressed here are the opinions of the Advisors and may not represent the views of IPC Securities Corporation."*

## The "best" things about 2016...

Each of us turned our attention to positive thoughts and warm memories of this past year and have chosen to share them with you.

### Giving Back to the Community:

Earlier this year Jamey was elected to the Board of Parkview, a multi-faceted seniors centre here in Stouffville. Jamey is honoured to be able to give back to the community in this way.

### Marriage and Relationships:

Dave Strachan's highlight of 2016 was an obvious one as he was married this fall in a beautiful beachside ceremony in the Dominican surrounded by his closest friends and family. As Deborah mulled over the past year she felt a depth of gratitude for old friendships. With some friendships spanning decades it's hard to imagine that they could be held more dear as time passes, but it's true.

### Progress in the Workplace:

Although her kids and travel are always a pleasure for Andria, a highlight in her professional life was the addition of Dave to our office. In fact, we all share this sentiment. (We're not sure how the new guy gets double mention in our newsletter but he better not get used to it!).

Family and Events: Sandy Parsons' has a family tradition that is a highlight of every year. They're a bunch of devoted ball fans - 30 of them - who every summer attend a Jays/Tigers game at the Roger's Centre. They're an unruly mix of fans devoted to each team. Lots of chirping, hot dogs, spilled popcorn and as much fun as you can fit into a single afternoon.

### Landscapes and Travels:

Sandy Esposito and Stephanie's travels hold their most treasured memories as each took in the beauty of two of the world's largest islands, Newfoundland and Iceland respectively. The rich history and natural wonders of both places left a mark on their soul. Tourism to these stunning landscapes cannot erase their magic.

We send you all best wishes for a happy and prosperous new year. Let's welcome it together with optimism and hope.



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