



SECOND QUARTER REVIEW

As we enter the second half of 2018 strong economic fundamentals are being confronted by geopolitical turmoil. The result is that markets have been trying to run up an icy slope. In North America, corporate earnings have been stellar, interest rates have been rising in an orderly fashion, and we are close to or at full employment. On the other side of the ledger, trade spats, isolationist policies, and aggressive political rhetoric have stoked anxieties. As a result, it is understandable that investors are left with a perception that is probably worse than reality.

Canada

With oil prices advancing 22% thus far in 2018 the stock market has managed to eke out a modest gain in spite of all the tariff talk. As of June 30, the S&P/TSX Composite was up 0.4% for the year. The big banks and other interest rate sensitive stocks did fare a little better in the second quarter as the focus shifted from interest rate hikes to financial performance which was buoyed by the tax cut in the US. Of course the roadblock for Canadian stocks appears to be the confusion around US trade policy not only with Canada and Mexico, but with Europe and China as well. The US has placed tariffs on Canadian steel and aluminum. Starting in July, Canada will reciprocate. The more worrying threat has been the one against auto imports to the US as that could have a profound impact on manufacturing jobs in Canada.

United States

Stocks in the US have been a mixed bag for the first half of 2018. While the technology heavy NASDAQ has powered forward posting a rise of more than 8.8% through the first six months of the year, the Dow Jones Industrial Average (DJIA) has actually posted a modest decline of 1.8%. The S&P500 which provides a broader measure of US stocks is up 1.7% at half time. Again, record corporate profits and a humming economy often appear to be giving way to aggressive, and at times chaotic, trade policy being promulgated by the current administration. They have threatened to impose new taxes on imports from Europe, Canada, Mexico, and China. Harley Davidson Motors reacted to the prospect of losing \$100 million of income due to reciprocal tariffs from the EU by saying they would move some of their production overseas. President Xi of China has been very clear that they would respond aggressively to any punitive trade policies and would also target

locations in the US that supported the Trump administration in 2017. There is still time to pull back from the shoot first, ask questions later, approach by the US administration but for now we expect more anxious moments and potential for increased volatility in the coming months unless trade policy becomes less murky.

Overseas

Stocks overseas were down 4.5% at the midpoint as measured by the MSCI EAFE Index. European economies are more reliant on global trade flows than most other regions and have therefore been more negatively impacted by the threat of a trade war. The additional baggage of a rise in populism, particularly in Italy, has also put pressure on capital markets. The MSCI Emerging Markets Index was down more than 7% for 2018 as they are also largely dependent on globalization.

Bonds and dollars

Thus far in 2018 riskier assets fared better than safer, interest rate sensitive securities. A balanced portfolio will always have some fixed-income to guard against a stock market decline. Fixed-income securities like bonds which come in many varieties, tend to be less volatile than equities. Although fixed-income securities are safer, they are sensitive to interest rates and their value moves inversely to the direction of interest rates. Because we have seen rates increase over the past year and expect them to rise further, we have seen those safer types of investments struggle to retain their value. The benefit of continuing to have fixed-income is that when the cycle adjusts, your bonds should provide stability and ensure that at least you are receiving interest payments. Often bonds will even benefit from a stock sell-off as investors move their assets into lower risk investments.

Another variable that has affected Canadian investors is the performance of the Canadian Dollar against the US dollar in particular. The Canadian Dollar has fallen 4.3% this year against the Greenback. For Canadians invested in the US, this has actually provided a boost to their returns.

Going forward

Fortunately, the tail winds of good economic fundamentals and solid corporate earnings have prevailed thus far in 2018, albeit marginally. Although it feels unlikely that order will trump chaos on the trade front over the next quarter, investors may be well rewarded if clarity is found before the end of the cycle.

NOTICE OF ASSESSMENT

Please send us your Notice of Assessment. This is where your 2018 RSP contribution limit is recorded. Please drop it off at our office, email kmorton@ipcsecurities.com, or fax (905) 642-4537.



WELCOME, KELLY

Some of you may have already met Kelly, others may have noticed emails from “Kelly Morton”, and some of you may not have yet had the pleasure. Well, you’re in for a treat. Kelly has taken over for Stephanie (who is now settling beautifully into retirement). Although she’s only been with us a few weeks now, there is no doubt she is a perfect fit.

Kelly is a resident of Uxbridge and comes to us with years of experience in the legal field. She has been a committed school volunteer running numerous programs over the years, and is the proud Mom of three girls and a husky named Diesel.

We truly are delighted to have Kelly join our team and without a doubt you’ll enjoy getting to know her and working with her as much as we are.

DOWNSIZING AND DECLUTTERING

By Sandy Esposito

On a recent trip to Europe, my husband gently reminded me that our home in Aurora was running out of wall space so “no more art”. Since downsizing is in our future I was already planning on resisting temptation, although I admit it is sometimes hard to do.

As our families evolve and children start lives of their own, we’re often left with homes far too big for just one or two. Not only is there lots of extra space to heat, cool, and clean but property upkeep can become increasingly difficult. That’s when the “downsize” discussion begins. But where do you start? It can be daunting trying to sift through possessions that have accumulated over a lifetime. What should be kept? What should be given away? What has monetary value and what is purely sentimental? The task of purging and moving can be overwhelming. Thankfully there are services out there to help.

I took the liberty of calling “ClutterBGone” which originated in Stouffville but is now in Toronto. This company will travel as far north as Keswick, east to Bowmanville and west to Mississauga/Oakville. There are also franchised firms that

have numerous locations throughout the GTA such as “The Downsizing Diva”. Then there are the “Red Coats” who are a member of NASAM (National Association of Senior Move Managers) which includes companies from all over North America. This allows them to source and recommend other companies servicing your area. All of them will visit your home, do an assessment and customize their recommendations to your needs. ClutterBGone charges are based on the services you require whereas the Red Coats charge an hourly rate. Many of these services co-ordinate with auctioneers, real estate agents and other companies that may be involved in the process of downsizing or de-cluttering, and will work on finding homes for beloved articles you no longer need.

Over our lifetimes, we seem to accumulate a lot of “stuff” that at some point we need to part with. The above companies provide unbiased guidance, helping you decide what to keep or what to donate. They may even put you in touch with other professionals in this space who can appraise more valuable items to sell. They can help ease the process of downsizing and even help to prepare a home for sale whether by the owner or in an estate situation. Keep in mind the cost can be significant but can at times accomplish what other non-professionals cannot and in far less time.

ClutterBGone: Organize, downsize, transition, packing, moving

www.clutterbgone.ca | 905-642-5669

Red Coats: moving and relocation experts

www.redcoatsmoving.com | 416-920-1317

Downsizing Diva: Downsizing and moving for seniors

www.downsizing-diva.com | 1-866-836-6999

“The comments expressed here are the opinions of the Advisors and may not represent the views of IPC Securities Corporation. The information contained herein was obtained from sources believed to be reliable, however, we cannot represent that it is accurate or complete. This commentary is provided as a general source of information and should not be considered personal investment advice or solicitation to buy or sell any securities. Before acting on any of the above, please contact Jamey Morse, Alexandra Esposito or David Strachan for individual financial advice based on your personal circumstances.”



I – 6165 Main Street, Stouffville, ON L4A 4H8 | Tel: 905-642-4540 | Fax: 905-642-4537 | www.watermarkipc.ca

Trademarks owned by Investment Planning Counsel Inc., and licensed to its subsidiary corporations. Investment Planning Counsel is a fully integrated wealth management company. Mutual funds available through IPC Investment Corporation and IPC Securities Corporation. Securities available through IPC Securities Corporation, a member of the Canadian Investor Protection Fund. IPC Private Wealth is a division of IPC Securities Corporation. Insurance products available through IPC Estate Services Inc.