FALL 2017

THIRD QUARTER REVIEW

Canada

On September 7, Tim Shuffelt of the Globe & Mail wrote an article titled “The economy is roaring. Why isn’t my portfolio?” He pointed out the lack of synchronicity between Canadian equity performance and economic performance. While the Canadian economy continues to surpass the most optimistic forecasts, equities for the most part have stood by yawning. Since the beginning of 2017 the Canadian stock market has increased 2.3%, a paltry advance compared to most other major markets with less impressive GDP growth. The meagre advance is even more puzzling considering that virtually every economic indicator suggests Canada is on pace for a banner year – the best since 2011. Perhaps investors were concerned about the effects of a rising interest rate environment in a country with record levels of household debt. There may have been concern about languishing energy prices as well. Whatever it was, since Mr. Shuffelt wrote his article Canadian stocks have rallied posting a 2.8% return for the month of September. If oil prices continue to gather steam in a growing economy with benign inflation, we may see better days ahead.

United States

In the US, stocks continue to climb, now up 12.53% for 2017 as measured by the S&P500. The economy and equity markets south of the border continue to impress as investors focus on data rather than heightened political rhetoric regarding healthcare and tax reform. Earnings reported in the third quarter were strong almost across the board with technology firms leading the way. As the global economy strengthens there has been more demand for US products and services beyond its borders. Naturally, the storms that pummeled US territories have been devastating for affected residents and the economic impact will be seen in coming quarters.

Of note as well is the fact that the Canadian dollar has risen significantly versus the US dollar. One of the negative consequences of such a trend is that it erodes returns for Canadians invested in the US. For instance, the S&P500 as noted above was up 12.53% but if you convert that investment into Canadian dollars the increase is only 4.4%.

Europe

European markets have fared well with the FTSE Euro100 up 9.4% on the year. The Euro economy is growing at an annualized rate of 2% and much of the political uncertainty coming into the year is now in the rearview mirror after victories by Emmanuel Macron in France and more recently Angela Merkel in Germany.

Interest Rates

Although there has been little evidence of inflation thus far it may be imminent given the pace of global growth. Central banks are becoming more vigilant and have started to adopt more hawkish, preemptive policies. In Canada we have seen interest rates rise twice already with the potential for more hikes before the end of the year. The FTSE Canadian Universe Bond Index has increased 0.48% thus far in 2017. Although bond prices typically move inversely to interest rates, if increases are successful in tamping down the threat of inflation and the increases are transparent as well as measured, any adjustment should be moderate.

In general, the signs we see from an economic perspective remain encouraging. We appear to be in the growth phase of the economic cycle both globally and domestically. In some areas, stock markets may have overshot and at some point we can expect a pullback. In the United States there has not been a 5% slide in more than 300 days, and that is unusual. The many managers with extra cash sitting on the sidelines waiting for a correction will eventually get their opportunity but when, we can’t say. This year is a perfect example of why it is important to stay invested. There was a lot of negative sentiment coming into 2017 but markets have been very strong and underpinned by accelerating economic growth.

We hope you enjoyed your summer, in spite of the moist weather, and had a joyful Thanksgiving!

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.”

WE DID IT !

This year at IPC’s annual conference, held in St. John’s Newfoundland, Watermark Financial Group was honoured to be presented with awards in two categories: Top Ten Wealth Builder Team of the Year & Top Ten Wealth Management Advisor of the Year. Thank you to all of our clients for your loyalty and for sharing your commitment to financial success.

FROM THE DESK OF SANDY P.

As I prepare to take my leave, on December 15, from what has been my second home for over 22 years – sometimes it has felt like my first home – it doesn't seem possible that so many years have passed. So much to say, so little space….

It has been an honour and a privilege to work in a profession that has introduced me to many truly amazing people. Carol and Signy welcomed me into their business; they encouraged personal and professional growth and supported me in my goals. It was a time when there were not a lot of women in the industry and I am thankful for their guidance and grounding.

There have been many changes along the way (some of you still think of us as Money Concepts) but our dedicated team members have never waivered. Our business would not be what it is today without the hard work and commitment by all of them. I thank them for their support through it all.

I measure my career, through our clients' accomplishments and life events. We have worked together on strategy but the hard work has been done by all of you. You have set goals and achieved them, milestones have been celebrated, and at times life has challenged us. Thank you for allowing me to be a part of your lives. It has been a remarkable experience.

My family's support has made all this possible and I look forward to spending more time with them.

To Jamey, Deborah, Sandy E., Stephanie and Dave – my retirement is in great hands!

A DIFFERENT ACCOMMODATION

How would you describe your last hotel stay….clean, comfortable, reliable? While these are terrific traits, how about descriptions like historic, unique, or culturally relevant? How about resting your weary bones in a Victorian Mansion rather than just strolling by one?

As more people are travelling they are turning to organizations such as Airbnb, Rent by Owner or VRBO to find non-traditional places to stay. Rentals can be as simple as a room in a home, an efficiency- apartment or an entire property. The options are truly limitless.

This idea of a "shared economy" takes the travel experience to a new level. If you stay in the heart of a community you become immersed in it. You feel the culture rather than just observe it. Imagine walking out your front door and wandering down to the harbor to watch local fishermen come in with their morning catch.

With Airbnb, you register, which gives your host some information about you. When you come across an intriguing property you contact the host through Airbnb; everything from communication to payment is then done through them. Reviews of prior guests are often plentiful. I cannot stress enough that you read the reviews!

Costs can range from $30 to $1000+ depending on whether you are renting a room, a villa on an island or a tiny pied-`a-terre in Paris. You can stay for a night, a week, or a month. Some hosts will provide shuttles to and from the airport, most will help you with planning excursions and many are a wealth of information about the area and relish the idea of sharing it with you.

There are a number of organizations that offer vacation rentals to the consumer. Take some time to check them out; see the links below. Living a little off the beaten track can enrich your travel experience. Whether you take the plunge or not, have fun with some on-line exploring.

www.airbnb.ca
www.homeaway.com
www.hometogo.com
www.VRBO.com

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