

# The Market Letter

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November 3, 2017

## Market Commentary

Equity markets are trading at all-time highs even though we are facing the worst geopolitical backdrop in 20 years. Ongoing fears over a nuclear North Korea, growing protectionist and nationalistic rhetoric in the U.S. and elsewhere, and uncertainty over Trump's ability to get anything done in Washington have investors understandably worried.

Despite the negative headlines, global economies have proven resilient and we have been witnessing a slew of positive economic surprises. Trade volumes are at record highs, corporate earnings are back to their 2008 levels, unemployment levels in the U.S. and Canada are low, and global consumer optimism is the highest in a decade. The S&P 500 is now enjoying the third ever longest rally without a significant correction. This goes to show we should not get tunnel vision when it comes to geopolitics.

**So how should you be positioned? Investors who are prepared to tolerate some volatility and have a time horizon of several years should remain invested.** Interest rates are rising and are expected to continue rising but at a moderate pace. Returns on cash and bonds remain very low. In fact, we no longer offer Canada Savings Bonds. We continue to favour high-quality companies with growing earnings and management teams with a solid track record. Many of our clients are retirees so for income investors, we recommend stocks that not only pay dividends, but have the ability to comfortably grow their dividends over time and have a track record of doing so. Companies such as **Brookfield Infrastructure** (BIP.UN, distribution yield 4.1%), **Enbridge** (ENB, dividend yield 5.2%), **Fortis** (FTS, dividend yield 3.6%), **Parkland Fuel** (PKI, dividend yield 4.3%), and **Toronto-Dominion Bank** (TD, dividend yield 3.3%) have a history of growing their dividends through all market cycles. Fortis, for example, just raised their dividend for the 44<sup>th</sup> consecutive year.

## Banking Services

**Did you know?** We offer all bank financing packages including mortgages and lines of credit. Please contact us for the best rates if you are thinking of purchasing a property, refinancing your mortgage, tapping into your home's equity, or borrowing for a project.

## Year-End Tax Planning

Many clients will have generated significant capital gains through 2017. Any losing positions in your portfolio can be sold before year-end to offset these gains. You can also carry losses back to offset gains from the 3 previous years. Please give us a call if you would like to review some year-end tax strategies.

## Registered Education Savings Plan (RESP) Contributions

Contributions for 2017 must be made by December 29<sup>th</sup>. All contributions up to \$2500 qualify for the 20% savings grant (\$500 on \$2500).

## Estate Planning

Clients of all ages should make sure their estate plan is up to date. A few simple strategies:

1. Be sure to designate beneficiaries on your registered accounts (RRSPs, RRIFs, and TFSAs).
2. If you have already designated a beneficiary this is indicated on your NBF portfolio statement. Please check to make sure these designations are correct and up-to-date. If you have not designated a beneficiary, it will simply show as "Your Estate".
3. Be sure to review your Wills and Power of Attorneys (PoA) to make sure they are up-to-date. Please contact us if you require the name of a Lawyer to draft a Will or PoA.
4. Review your insurance policies to ensure they provide adequate coverage or are still relevant to your current situation. We have an excellent insurance specialist in our office who can review your policies. Please contact us for further information.
5. Tax-Free Savings Accounts (TFSAs) are an effective estate planning tool for creating a large tax-free nest egg. The annual contribution limit is \$5500. If you've never started one, you can contribute \$52,000 immediately. Anyone who has excess savings should have a TFSA.

## Fixed Income Rates

GIC		Daily Money				
1yr	1.73%	Altamira Cash Performer	1.20%			
2yr	2.18%					
3yr	2.43%					
4yr	2.50%					
5yr	2.73%					

Rates are as of Nov 3, 2017 and are subject to change at any time.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. ***This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group.*** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your investment advisor to verify whether this security or sector is suitable for you and to obtain complete information, including the main risk factors.

**Compliments of Jim Haack & Ian Stockdill  
National Bank Financial  
Suite 700, 737 Yates Street, Victoria, BC V8W 1L6**

**Jim Haack  
250 953 8435  
jim.haack@nbc.ca**

**Ian Stockdill  
250 953 8461  
ian.stockdill@nbc.ca**

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