# The Dream Achiever

DD HUMES

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**INSIDE THIS ISSUE**



***"In investing, just as in baseball, to put runs on the scoreboard one must watch the playing field, not the scoreboard."***

*~ Warren Buffet*

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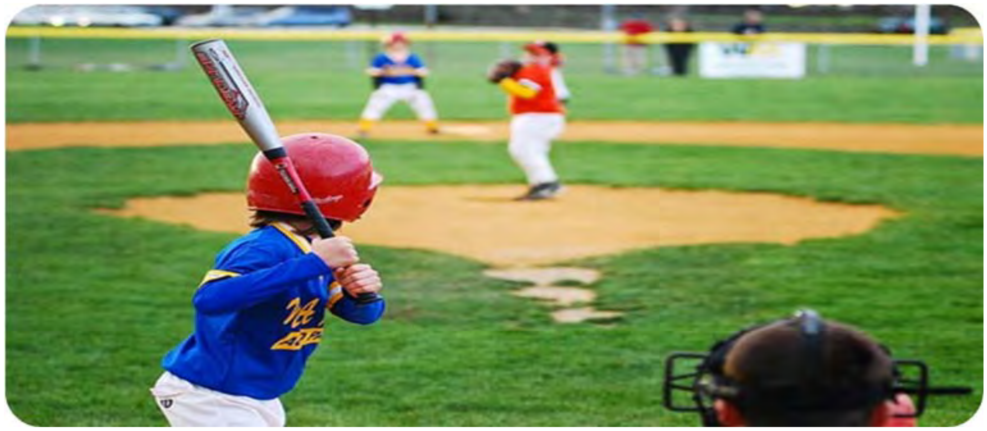

## The old ball game

The weather this spring and into summer has been windy and wet. In Montreal it seems that almost every sunny day is being interrupted by a litter rain storm blowing in. The water levels around the island rose to 100 year highs. Even as we head into July the levels haven't recessed all that much. The positive is that the grass is green this year!

When not being rained out, the game of baseball is played on diamonds across the country in summer. The recent success of the Toronto Blue Jays has sparked a renewed interest amongst Canadian youth towards the sport. I believe that some of the recent market events can be summed up well with some baseball analogies.

In baseball you can take a lead and then give it back. In Q2 2017 most capital markets around the world registered impressive gains early in the second quarter before moderating in June, reflecting steady global economic growth and supportive business conditions. The S&P 500 Index, a broad measure of U.S. large-cap equity performance, added 3.1% for the quarter, bringing its gain to 9.3% for the year-to-date in U.S. dollar terms. The MSCI World Index, a benchmark that represents large and mid-cap equity performance across 23 developed market countries, was up 4.2% for the quarter and 11% for the year-to-date, also in U.S. dollars. For Canadian investors, however, gains in global equities were somewhat muted by our dollar's strength against a number of other major currencies, including the U.S. dollar. **In Canadian dollar terms**, the S&P 500 was down -0.1% for the quarter, and the MSCI World up 1.5%. *

The Canadian equity market noticeably lagged many other developed market indexes, despite strong economic output and employment data. The S&P/TSX Composite Index fell by -1.2% during the quarter, based on softening oil prices (Brent Crude down 9.3%), weaker financial shares, and investor sentiment that was dampened by trade-related issues with the U.S. The benchmark remained 1.1% higher for the year-to-date. Overseas, strong quarterly results were recorded in local currency terms for larger Asian markets including Hong Kong and Japan, but were offset by weaker results in Europe.

Probably the largest effect of the quarter on the Canadian investor was when the left handed pitcher named the "Bank of Canada" was called into the game. **It delivered a curve ball that no hitter saw coming.** On May 24th there was a subtle wording change at their interest rate announcement that caught the market's attention. But at that time the chances of a July interest rate hike were at 3.3%. In mid-June the market reacted more significantly when Governor of the Bank of Canada Stephen Poloz said that the rate cuts have largely done their work. Suddenly the chances of a July hike jumped to up to 21.5%. Even though this is a June 30th newsletter, we now know that the Bank of Canada did in fact raise rates by 0.25% on July 12 taking confidence from the strong labour market. The change in rates pushed the Canadian dollar up 2.6% versus the $USD in the quarter (up 3.6% YTD) closing at $0.77. This is up 6% since the low of $0.727 on May 4th!

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## Market Overview Continued

The rising rates should also prove to be a wakeup call for those who have taken on heavy debt loads. This rate increase along with other government measures on foreign buyers have started a cooling process in some of Canada's hottest real estate markets, such as Vancouver and Toronto.

Global fixed-income markets prepared for the gradual end of ultra-low interest rates. Unlike in Canada, the U.S. Federal Reserve Board's 25 basis points hike in mid-June, the second such increase in 2017, was anticipated. The U.S. 10-year Treasury bond yield drifted lower through much of the second quarter, but climbed higher late in the period. The Barclays Global Aggregate Bond Index was basically flat down -0.1% in the quarter and up 1.1% in 2017 in Canadian dollars.

For most of our investors the portfolios grew at the start of the quarter but then gave back some of the gains in the latter half. This would be the result of a decreasing TSX, lost value of foreign holdings with the sudden move upwards of the Canadian dollar, and the dip in the fixed income market. Regardless of the short-term moves that the markets may take, it is important to keep in mind your investment strategy, which is based on your individual tolerance for risk and financial goals. The time to change your investment strategy to more aggressive generally isn't the 7th inning stretch. If you have any questions about your portfolio or any changes you would like to discuss, please contact our office.

## Planning items

- **RRSP Contribution Room for 2017:** Please provide us with your room for the 2017 tax year from your 2016 Federal Notice of Assessment. The maximum room for 2017 is $26,010. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Registered Education Savings plan (RESP) contributions:** Benefit from the Federal 20% education savings grant. Note that Quebec beneficiaries get the added 10% QESI grant from the provincial government increasing the overall grants to 30%.
- **Tax Free Savings Account (TFSA):** 2017 room is $5,500. The total accumulated room since 2009 is now $52,000.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2017 (born in 1946) will need to convert their RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you on how to get that done if you haven't done so already.
- **$2K pension deduction:** Those who turn age 65 or older and not already receiving recognized pension income.

## The Planning Corner: Wait for your pitch

Warren Buffet has been known for a few famous baseball quotes about baseball and investing. One that caught my eye was:

***"The stock market is a no-called-strike game. You don't have to swing at everything – you can wait for your pitch. The problem when you're a money manager is that your fans keep yelling, 'swing, you bum!'"***

What can you learn from this quote? When investing, you don't have to do anything if you don't want to. Don't be scared to wait for the perfect opportunity to come around. It's much better to bet big on sure things and win big on sure things, than to force your money into an investment that isn't right for you. So let the pitches around the corners of the plate go by you. Wait for the pitch that is right down the pipe, and – when it comes – swing for the fences.

You may notice that in some of your funds the managers are holding cash levels that are slightly higher than normal. These would be managers who are carrying out this quote. The risk for them can be that their investors may be calling them a bum if the markets continue to climb, but they are the same people who will carry them out on their shoulders if the markets were to fall. A baseball game is not won in one inning and those who have the ability to make decisions based on 9 inning games should allow for a portfolio that will provide a much smoother ride.


*Source: Morningstar Canada