

# Your Wealth. Our Commitment.

CANACCORD Genuity  
Wealth Management

**In this issue:** Market update, By the numbers, What to do, Chart of the Month (Crypto volatility), Mandate of the Month, What are we Reading (US healthcare, Hyperloop, Commodities, Oil policy), CryptoCorner, Financial Planning- RRSP Reminder.  
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## What is happening?

The S&P 500 is down 7.8% from its January 26 high of 2,873 and the S&P/TSX is down 6.6% from its January 4 high of 16,413. Now it would be unusual for this eight-year bull market to die without a value cycle. Growth has outperformed value through most of these eight years because up until recently, the bond market never confirmed that global deflation was filtering through the economy. Now we have it. Unfortunately, the volatility associated with higher rates is painful, but it is required to change market leadership away from the high-multiple stocks. After all, with earnings growth becoming less scarce, investors should no longer be willing to pay a premium for growth. After the recent drop, the S&P 500 Value trades around an undemanding 15x forward EPS (~21x for S&P 500 growth).

Meanwhile in Canada, January employment plunged, down 88k, under the weight of part-time jobs (-137k). Accidental or not, the decline in employment coincided with the minimum wage hike to C\$14.00 (from C\$11.60) in Ontario. Meanwhile, Canadian hourly wages grew 3.3% from year-ago levels (from 2.9%) in January. Otherwise, we learned earlier this week that the trade balance deficit worsened to C\$3.2B in December (from C\$2.7B). In all, this week's statistics suggest the BoC is likely to leave its target rate unchanged at its next meeting and that the CDN\$ should remain capped by PPP considering recurrent trade deficits.



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<u>CAN Equity (CAD)</u>	YE 2017	Wk-end	Chg this week	Chg in 2018
S&P/TSX Comp	16209	15035	-3.7%	-7.2%
S&P Total Return	54003	50189	-3.7%	-7.1%
S&P TSX 60	900	889	-3.9%	-7.3%
<u>US Equity (USD)</u>				
S&P 500	2674	2620	-5.2%	-2.0%
S&P Total Return	5213	5117	-5.1%	-1.8%
Nasdaq	6903	6874	-5.1%	-0.4%
<u>Inter. Equity (USD)</u>				
MSCI World	1586	1534	-5.2%	-3.3%
MSCI EAFE	2051	1992	-6.2%	-2.9%
MSCI Emerg. Mkts.	60879	59941	-6.5%	-1.5%
FTSE 100 (GBP)	7699	7092	-4.7%	-7.7%
DAX 30 (KR)	12918	12107	-0.7%	-6.3%
<u>Commodities (USD)</u>				
Gold	1303	1313	-1.3%	0.8%
Oil (Crude Brent)	\$66.61	\$63.42	-7.1%	-4.8%

## What to do?

The last two weeks have been a relative roller coaster in the markets. What needs to be considered is the short memories we possess when it comes to investment. During the period of Oct. 15, 2015- Jan. 15, 2016, the S&P TSX dropped 2000 points, yet the recovery period of Feb 2016-Dec 2017 was an absolute success story in terms of market recovery moving from 12200 to 16400 during that time period. The point here is that people have tuned out the finer analysis and lumped this entire bull market into "post 2008," which when you can weather the bumps, ignore the noise and let your portfolio work for you, you win. If you worry and react, you're going to lose out on the fear that there could be adverse conditions. Build a portfolio with diversity, build it for the long term, build it to be resilient and you can honestly let it work for you. It's never a set it and forget it situation, but it's not an abandonment of principles when markets make a little noise.

**Discover how to use sector ETFs to balance your portfolio to a global perspective. To read further: Click here to read a global perspective from our strategist: [Click here](#)  
[The YTD results so far](#)**

❖ **Thought of the Week:**

People don't want to buy a quarter-inch drill. They want a quarter-inch hole.

It's a profound insight—first popularized by legendary Harvard marketing professor Ted Levitt decades ago.<sup>1</sup> Customers don't want products, they want solutions to their problems. Peter Drucker, too, warned us that the customer rarely buys what the company thinks it sells him. There is, as these two sages pointed out, often

The Clayton M. Christensen Reader, p. 46

Conceptualize winning the personal finance game. Knowledgeable advisors who provide great advice add significant value for their clients- and we are not talking hundreds of dollars. I'm talking tens of thousands, to potentially millions depending on where you stack into the game. Whether you're \$1MM+ (who generally have access to this advisor market) or \$25K who can buy into the advisory system, you need to see the end game and make active moves to achieve it.

❖ **Mandate of the Month: Global ETF Portfolios. (\$25K Min)**

This is a fee friendly managed portfolio solution. If you have Mutual Funds or high trading costs, it's worth a look. [Click here to see the note.](#)  
**Strategy:** Driven by a dynamic allocation process, Our ETF Portfolios focus investment exposure in areas of market strength and reduce capital in areas of relative weakness. The portfolio management team aims to generate excess return and control risk by under- and overweighting asset classes, countries and currencies in the portfolio, selecting best-in-class ETFs for each investment exposure. Built around a long-term policy allocation, CC ETF Portfolios provide diversification across both asset classes and geographies. [Portfolio Results here.](#) E-mail [Steve](#) or [Drew](#) for more details.

**What are we reading:**

- [Buffet \(Berkshire\), Bezos \(Amazon\) and Dimon \(JP Morgan\) plot healthcare reform](#)
- [Fastest route to the corner office, as CEO \(Harvard Bus. Review\)](#)
- [It really is a Global Commodity Market. Canada looks to enter China.](#)
- [Hyperloop targets the Golden Horseshoe](#)
- [Canadian oil policy versus the world....](#)

- **Crypto Corner: Whether you like it or not, you should know more and can't ignore.**

- [Your Coins on the big board at Coindesk](#)
- [State of the Blockchain in 2018 \(WARNING 160 pages for full read\)](#)
- [Capitalizing the Ethereum Blockchain protocol, Ethereum Capital in Toronto makes pioneering moves](#)
- [Blockchain- Farm to fork.](#)
- [Airbnb, on the Blockchain. Is it possible?](#)
- [Despite volatility, Harvest launches Blockchain ETF](#)

## How does Financial Planning make a difference for you?

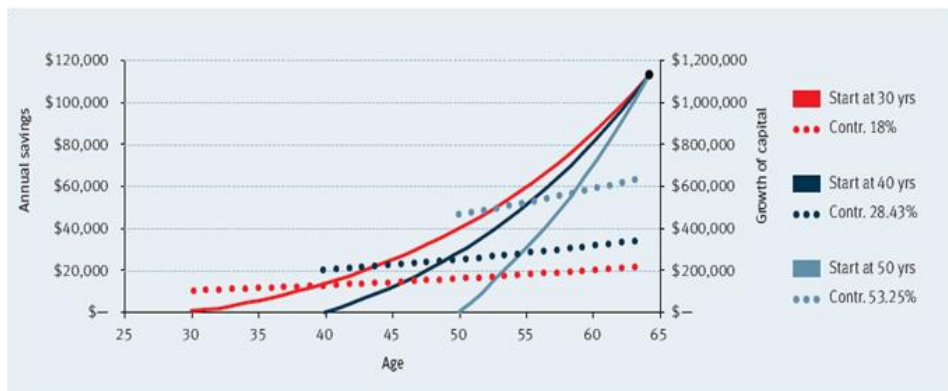
Financial Planning is a tool that everyone needs to be using in their investment strategy. If you aren't planning with a complete overview with your manager, you are leaving strategy to chance, with no strategy at all. Good ideas to grow your portfolio are always available, by adjusting risk and knowing your situation in all situations: retirement, home and business purchases/sales, children coming in to the world or sent to University, helping them buy a house/business all play a part. According to the Financial Planning Standards Council (FPSC), 81% of Canadians with comprehensive financial plans feel on track with their affairs versus 73% with limited and 44% with no planning. [Click here for an introduction to Mike](#) and take a look below for an example of how he makes a difference for clients.

[Click here for a full overview on our financial planning services](#)

## FINAL CALL. RRSP SEASON is closing Mar 1.

When the Minister of Finance originally established the rules regarding the RRSP, calculations were based on the scenario that by setting aside 18% of their income for 35 years, a person could accumulate sufficient funds for retirement. This capital, combined with social retirement programs (Old Age Security, Canadian Pension Plan), would yield an annual income of approximately 70% of their gross earnings before retirement.

The chart below illustrates the amount a person would accumulate by saving 18% of their income starting at age 30, assuming employment income of \$50K since age 25.



**Assumption:** Annual RRSP contribution of a person with an income of 450K that increases 2.25% each year. The amount saved generates a 4.5% annual return.

- The red lines represent a saver who began to put money aside at age 30. The dark blue and light blue lines illustrate the consequences of delaying saving under the same conditions.
- The dotted red line refers to the annual savings (left axis), while the solid lines show the growth of capital, which reaches \$1,137,593 at the age of retirement. This amount is substantially more than the savers current income of \$50K, but the assumption is the savers annual salary has been indexed to \$121K by age 65.
- If this person decides to take charge of their retirement plan at age 40 rather than age 30, they will have to save 28.43% of their annual income (dotted dark blue line) in order to reach the same goal. This would require making significant lifestyle changes in order to meet such a savings goal. If they only save at 18% of income as per previously prescribed, then they end up with \$720K at retirement and a deficiency in their income at said goal.
- Finally, should they start saving at 50 years of age (a5 years before retirement), they will have to allocate 53.25% of their income to savings (dotted light blue) to reach the same objective. Should they only match 18%, then their final RRSP balance results in \$384K, or 34% of the originally desired amount.

[If that's not enough of a start, click here for 10 reasons to start planning your estate](#)

**\*Please let us know if you think there is someone in your network who would benefit from this note. We are always happy to include them on the list. You are our best source of referrals.**

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