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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 (Bonds, start ups, US tax reform, Canadian Corp Tax system), All things Blockchain and Crypto, Financial Planning- Life Insurance.

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What is happening? - The S&P 500 (up ~2%) and S&P/TSX (down ~1%) took opposite directions again this week. The relative price ratio between Canadian and US equities is now approaching the dot-com all-time lows seen through the 1999-00 tech bubble. Elsewhere, global equities are gathering momentum, with many indexes pushing to 52-week highs. Like in the US, EPS estimates in Japan and Europe keep ratcheting higher and, as we heard this week, the beauty over there is that neither the BoJ nor the ECB appears ready to remove their easy monetary policy. Last, short and long bond yields continued their march upward, reinforcing views that the global deflation trade is alive and well.

-The rise in bond yields has carried bullish implications for stocks as it confirms that economic growth is re-accelerating and resting on strong foundations. Also, it is usually at this inflection point that investors start rotating out of growth (G) into value-oriented (V) stocks. In other words, investors stop rewarding growth companies since EPS growth is becoming less scarce.

-Regarding economic statistics this week, in Canada, consumer spending came in strong with retail sales up 6.5% YoY in November. But inflation remains subdued. On a YoY basis, total and core inflation decelerated to 1.9% (from 2.1%) and 1.2% (from 1.3%) respectively, providing ammunition for the BoC to stay on the sidelines until June when Q1 GDP will have been reported.



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<u>CAN Equity (CAD)</u>	YE 2017	Wk-end	Chg this week	Chg in 2018
S&P/TSX Comp	16209	16239	-0.7%	0.2%
S&P Total Return	54003	54179	-0.6%	0.3%
S&P TSX 60	900	960	-1.0%	0.0%
<u>US Equity (USD)</u>				
S&P 500	2674	2873	2.2%	7.5%
S&P Total Return	5213	5606	2.2%	7.5%
Nasdaq	6903	7506	2.3%	8.7%
<u>Inter. Equity (USD)</u>				
MSCI World	1586	1672	1.1%	5.4%
MSCI EAFE	2051	2184	1.5%	6.5%
MSCI Emerg. Mkts.	60879	65823	2.6%	8.1%
FTSE 100 (GBP)	7699	7666	-0.8%	-0.3%
DAX 30 (KR)	12918	13340	-0.7%	3.3%
<u>Commodities (USD)</u>				
Gold	1303	1333	1.4%	3.8%
Oil (Crude Brent)	\$66.61	\$69.24	4.6%	5.7%

What to do?

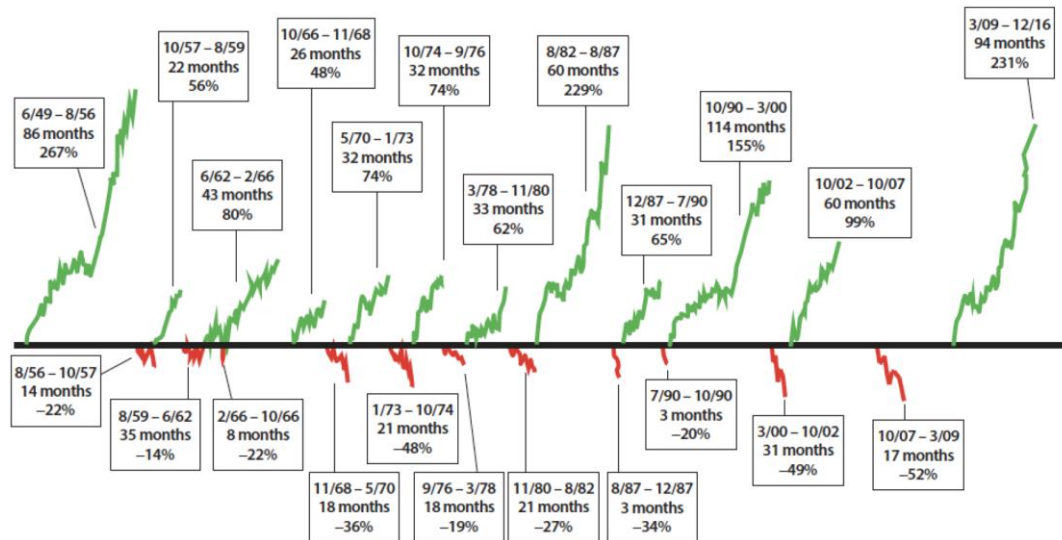
While we have seen global real estate and asset prices climb to all time highs, we have also seen a record amount of cash enter the economic system. More the \$15 TRILLION USD has been injected into the global economy by the central banks over the last decade, while interest rates are at record lows. The Fed and the Bank of Japan quadrupled their balance sheets, while the People's Bank of China and Euro Central Bank more than doubled theirs. The liquidity needs to go somewhere. However, unlike previous decades where we see money stay localized, our new global economy allows for the consumer to buy in any market they want. Toyota over GM, why not, Italian or British textiles, your dollars, your choice. So as these banks print money and use it to shore up their economies, the end beneficiary, the workers who jobs are now more secure, can spend wherever they feel their dollar best benefits them- which is also how the inflationary statistics have remained low. Massive printing has been turned into rampant buying, but a synchronized global move in a positive direction. Needless to say, our mentality stays the same, look across the world for opportunities, diversify your asset classes, and steady your gains. Click below to see how we've done it.

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](#)

- ❖ **Chart of the Week:** Below we see the rallies and dips which the S&P 500 has experienced post WW2. As you can see there are some massive runs, but when the heat is off, it's a marked drop. The general view can be the ups outweigh the down (glass half full), but it also reinforces the need to blend your portfolio and plan for the downside. Upside is fun, risk protection is not, but its going to shake out the well positioned versus those who haven't planned for risk. Often, we come across individuals who are either in a complete portfolio of mutual funds, have purchased a basket of securities on their own, or are making decisions based on whims, hunches, and speculation. The perceived cost of prudent portfolio management is lower than it actually is. Think about properly managing your portfolio; calculated quarterly rebalancing, replacement of target asset classes and identifying sectors that are either carrying momentum, or are expected to break out with detailed analysis. Now think about the cost. People who we work with are good at what they do, and they are good at it because they've developed a skill set within their field. Now go and learn an entirely new profession to manage your finances to layer it on top of your professional life. Outsourcing investment management puts your finances into a priority sequence of life. Let us show you how we manage for our clients.

S&P 500 Stock Index 1949–2016



❖ **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:

- [Most Canadians die without a will. Angus Reid Pole](#)
- [GE, with a 50% market cap slide, the "house that Jack Welch built" may be a rooming house convert.](#)
- [IMF hikes Canada's economic outlook](#)
- [It IS a long term game: How to think like Charlie \(Munger that is\)](#)
- [Net neutrality explained- with the help of the Whopper \(video link\)](#)
- **Crypto Corner: Whether you like it or not, you should know more and can't ignore.**
 - [Your Coins on the big board at Coindesk](#)
 - [Crypto's are getting rated now ETH B > BTC C+.....](#)
 - [Davos: Blockchain can no longer be ignored](#)
 - [Commodities trade with Bitcoin, breakout moment, or trial horse?](#)

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 your strategies to chance. 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](#)

Last chance for family loans: prescribed rates to rise April 1 to 2%

Investors who wish set up a prescribed-rate loan to split investment income with a spouse, common-law partner or even their kids need to act quickly as the prescribed interest rate is set to double to two per cent on April 1, 2018 as a result of Tuesday's Treasury Bill auction yield.

Reminder of how the Family Loan works:

Using an example of Jenna, who is in the highest tax bracket

, and Tony, who is in the lowest bracket.

Jenna loans Tony \$700,000 at the current prescribed rate of 1 per cent secured by a promissory note. Tony invests the money in a portfolio of dividend paying stocks with a current yield of 4.5 per cent.

Each year, he takes \$7,000 of the \$31,500 in dividends he receives to pay the 1 per cent interest on the loan to Jenna.

The net tax savings to the couple would be having the dividends taxed in Tony's hands at the lowest rate instead of in Jenna's hands at the highest rate.

What you need to know:

The rush to beat the March 31st deadline is that in order to avoid the attribution rules from applying to a spousal loan such as this one, you need only pay interest at the prescribed rate in effect at the time the loan was originally extended. In other words, **if you establish the loan during a quarter in which the prescribed rate is 1 per cent, as it currently is, you can use that rate for the duration of the loan**, even if the prescribed rate rises in the future. Note that there need not be an end date to the loan, which could be simply repayable upon demand.

This is an example of strategies that may be available to you. Please reach out to see what other benefits can be found.

[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.**

Check us out at: www.stevestavidis.ca

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