

# Your Wealth. Our Commitment.

CANACCORD Genuity  
Wealth Management

**In this issue: Market update, By the numbers, What to do, Chart of the week, What are we reading, Crypto Corner, Mandate of the month Get a Will- Financial Planning essentials.**

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## What is happening?

-The S&P/TSX is on its way to ending this shortened week on a flat note while the S&P 500 is up ~1%. Interestingly, most of the S&P 500 strength this week came from defensive sectors.

The trade tariffs announced by the Trump administration come into effect today on U\$34B worth of Chinese goods. But China stands ready to defend its turf. Thus, fears that trade tensions could escalate further likely explain the weakness in copper pits this week and the strength in defensive names.

Meanwhile, the PBoC pledged to keep the Yuan "stable at a reasonable and balanced level", stopping the rapid depreciation observed since mid-June. We believe EM concerns are increasingly priced-in at this point.

-Regarding economic statistics this week, in Canada, the trade balance worsened in May to -C\$2.8B, much below consensus (-C\$2.0B). But employment (+31.8k in June) came in above consensus (+24k). In this context, with the CDN\$ ~76 cents, a rate hike from the BoC next week seems like a foregone conclusion.



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<u>CAN Equity (CAD)</u>	YE 2017	Wk-end	Chg this week	Chg in 2018
S&P/TSX Comp	16209	16732	0.6%	1.0%
S&P Total Return	54003	55372	0.6%	2.5%
S&P TSX 60	960	970	0.4%	1.0%
<u>US Equity (USD)</u>				
S&P 500	2674	2760	1.5%	3.2%
S&P Total Return	5213	5434	1.6%	4.3%
Nasdaq	6903	7688	2.4%	11.4%
<u>Inter. Equity (USD)</u>				
MSCI World	1586	1604	1.0%	1.1%
MSCI EAFE	2051	1970	0.6%	-4.0%
MSCI Emerg. Mkts.	60879	57993	-0.9%	-4.7%
FTSE 100 (GBP)	7699	7618	-0.3%	-0.9%
DAX 30 (KR)	12918	12496	1.5%	-3.3%
<u>Commodities (USD)</u>				
Gold	1303	1255	0.3%	-3.7%
Oil (Crude Brent)	\$66.61	\$77.09	-3.0%	15.7%

## How we see it:

At the start of the year, one of the questions that we were most frequently asked was if the repatriation feature of the tax cut bill would cause the credit market to shrink. We replied that the bill might cause a short-term decline in the supply of credit from companies looking to borrow, but it would do nothing to curb the demand for credit from investors led by our nation's public pensions. It turns out that the public credit market (investment grade bonds, junk bonds, and commercial paper) did not shrink, but actually grew in the first half of this year at an annualized rate of 3.9%. To us, this is a very strong number considering the amount of money that companies repatriated, money that allowed them to buy back stock and do mergers without having to borrow. Additionally, this number is even more impressive considering the shift to private credit by borrowers. For example, Bloomberg reported earlier this year that the leveraged loan market is now bigger than the junk bond market. Now that companies are beginning to get a handle on their repatriation needs, the demand for credit by investors portends even more mergers. Keep in mind that the vast majority of mergers are being done at valuations so low that the acquiring company emerges with an investment-grade rating, instead of the "Winners' curse" outcome seen in prior cycles where the acquirer pays such a high price that it ends up deeply in junk territory, a la Toys R Us in the last credit cycle. Even the Disney/Comcast battle for the Fox assets is likely going to see the acquirer emerge with an investment-grade rating. With stock valuations so low that merging companies can keep their investment-grade ratings, with stock prices a little below trend, and with strong demand for credit from pensions and insurers, the number of M&A deals designed to boost shareholder value is likely going to grow.

## Chart of the Month: The TSX in 2018- Canadian Banks have been the biggest drag.

	Point Contribution to S&P/TSX Composite				Percent Contribution to S&P/TSX Composite			
	Jun	Q2	Q1	YTD	Jun	Q2	Q1	YTD
Energy	152	420	-330	89	70%	46%	-39%	130%
Integrates	28	148	-32	116	13%	16%	-4%	170%
Explor'n & Prod'n	14	117	-93	23	7%	13%	-11%	34%
Storage & Transportation	107	139	-194	-54	50%	15%	-23%	-79%
Materials	30	133	-85	49	14%	15%	-10%	71%
Metals & Mining <sup>1</sup>	3	71	-81	-10	1%	8%	-10%	-14%
Gold	17	53	-63	-10	8%	6%	-7%	-14%
Industrials	-10	136	-46	90	-5%	15%	-5%	131%
Railroads	-13	86	-54	33	-6%	9%	-6%	48%
Consumer Discretionary	5	51	-30	21	2%	6%	-4%	31%
Consumer Staples	16	17	-37	-20	8%	2%	-4%	-29%
Food & Staples Retailing	16	11	-29	-18	7%	1%	-3%	-27%
Health Care	12	27	-25	1	6%	3%	-3%	2%
Financials	-13	53	-236	-182	-6%	6%	-28%	-266%
Banks	-4	21	-113	-91	-2%	2%	-13%	-133%
Diversified Financials	17	29	-62	-33	8%	3%	-7%	-48%
Insurance	-26	3	-61	-58	-12%	0%	-7%	-85%
Information Technology	3	63	53	115	1%	7%	6%	168%
Telecom. Services	4	5	-59	-55	2%	1%	-7%	-80%
Utilities	12	-9	-43	-52	5%	-1%	-5%	-76%
Real Estate	6	15	-3	12	3%	2%	0%	18%
Change in S&P/TSX Composite	216	910	-842	69				

1. Metals & Mining includes Aluminum, Diversified Metals, Gold, Precious Metals and Steel

From Bloomberg Canada

### What are we reading:

- [Wars these days- if they wear all so simple. DEN and their Scnappes versus CAN and Whisky over Hans Island](#)
- [Bank of Canada Governor Poloz to rate hike: 6 months in the making](#)
- [Canadian Real Estate: Using more leverage than ever, credit growth deceleration](#)
- [Netflix CEO's response to a short seller](#)
- [Investing 50 years ago versus today](#)

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

- [Your Coins on the big board at CoinMarketCap](#)
- [Facebook hires Director of Engineering for Blockchain](#)
- [Bitcoin stalls below key resistance mark](#)

### Mandate of the Month: Guardian Global Fund. Balanced Fund. (\$150K Min) Balanced Mandate-6.48%YTD.

This is a fee friendly managed portfolio solution. If you have a high number of **Mutual Funds or high trading costs**, it's worth a look.

**Strategy:** This mandate is comprised of a combination of Guardian Fundamental Global Equity and Guardian Fixed Income Core mandates. The Global Equity product is a concentrated long only strategy with 20-25 high quality growth investments. Growth is achieved by investing in high quality securities that drive returns and provide protection in down markets. Quality is determined by in-depth, bottom-up analysis creating a "high confidence pool" of stocks exhibiting sustainable growth characteristics. The Fixed Income Core product mainly relies on yield curve and sector spread analysis. Analysis of current yield curves to historical averages and values will be undertaken and then an emphasis will be placed on over and underweighting improperly priced areas of the yield curve. Issuer and issue selection is based upon historical spread analyses, supply/demand conditions and trust deed and credit research. Guardian uses the PC Bond database to track the historical spreads of up to 2,000 separate issues. E-mail [Steve](#) or [Drew](#) for more details.

## **Investment Advisory and Financial Planning: Returning to basics: Update, GET a Will**

Do you have a will? That is, do you have a legal document that outlines your wishes regarding the distribution of your property and other important considerations like the legal care of your minor children upon your passing? Between one-half and two-thirds of Canadian adults don't have a CURRENT will. But do you need one? The answer is a resounding yes if you answer yes to any of the questions below:

1. Do you care who gets your property if you die?
2. Do you care who gets your money if you die?
3. Do you care who is appointed the guardian of your minor children if you die?

**Who Needs a Will?** Wills are not just for the rich and wealthy. Regardless of how much or how little money you have, a will ensures that whatever personal belongings and assets you do have will go to family or the beneficiaries you designate. If you own a business, a will can help ensure a smooth legal transition of those assets. Beyond your property and personal belongings, if you have minor children, a will is a must. A will ensures that you get to choose your children's legal guardian should you pass before your children are of legal adult age.

Through a will, you can also name what is known as an executor, or the person with whom you trust to have the authority to ensure that your wishes are carried out and to ensure that all of your affairs are in order from paying off bills to canceling credit cards.

Without a will, a court makes these decisions on your behalf, among others, through a lengthy, potentially expensive and often stressful process called probate. Probate is the process of which your Provincial Justice System grants approval of the execution for the lawful transfer of assets after death- and they charge you for this! In Ontario, probate costs: **\$250** for the first **\$50,000** of your estate and **\$15 (1.5%)** for each additional **\$1,000** with no upper limit. By doing so, the assets will pass on directly to a beneficiary when they die without attracting a hefty probate fee. Using the resources and knowledge of your Financial Advisor and Lawyers, you can minimize this. A few examples:

- Designate beneficiaries for registered accounts (RRSP, TFSA)
- Life Insurance with designated beneficiaries
- Establish a trust
- Will private shares in a family company through a secondary will
- Gift before your death event takes place
- Joint ownership (caution on this one, there are pitfalls here in certain circumstances)

Few people plan to die in the near future, but if you die suddenly without a will, you will inadvertently subject your family and loved ones to unnecessary confusion and anxiety at what is already a difficult time. Of course, you should also keep copies of existing wills, trusts, divorce decrees, prenuptial agreements and any other legal documents that might affect your will. As life changes, it is also best to revisit your will periodically or upon certain major life events to ensure that your will still reflects your desires. Last, but not least, the best of wills won't be any good if nobody knows how to find it. Make sure your family members and your executor know where your will is kept.

Speak to a trusted source (current Lawyer, Accountant, Investment Advisor, Friend) to find a good referral to their source for a will. We strongly advise you do not do it yourself.

**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](#)

**\*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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