

Your Wealth. Our Commitment.

CANACCORD Genuity
Wealth Management



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In this issue: Market update, in busy markets- what are you doing, introduction to team member Mike Bellamy CFP-how he can help you, bank coverage research note.

For a printer friendly version of the newsletter [click here](#)

What happened?

How will we know when to expect “the” top? With such low volatility, close proximity to record highs, and likelihood for pause in the upside, there is much discussion about “the” market peak and bubbles. Indeed, while there are nasty corrections every cycle, THE market top is identified by close proximity to recession. Importantly, the market makes a cycle peak on average 7.2 months prior to recession, so unless the synchronized global recovery and domestic re-acceleration suddenly stops, we are still years away from recession. The three credit-based indicators we use to gauge a close proximity to recession (and therefore bull market peak) are nowhere near levels that would suggest a defensive investment posture expecting a sustainable economic decline:

- The Real Fed Funds Rate still negative
- The yield curve still positive.
- The Chicago Fed Financial Stress Indices still showing historically low stress

Every recession follows a spike in all three sub-indices, yet all three are near historic lows. Contact us directly for the full note and analysis by Canaccord’s Tony Dwyer.

	YE 2016	Wk-end	Chg this wk	Chg in 2017
<i>CAN Equity</i>				
S&P/TSX Comp	15288	14952	-0.50%	-2.20%
S&P Total Return	49501	49254	-0.50%	-0.50%
S&P TSX 60	900	881	-0.60%	-2.10%
<i>US Equity</i>				
S&P 500	2239	2426	-0.60%	8.30%
S&P Total Return	4279	4696	0.60%	-9.80%
Nasdaq	5383	6257	-0.60%	15.50%
<i>International Equity</i>				
MSCI World	1364	1459	-0.30%	7.0%
MSCI EAFE	1684	1917	0.00%	13.80%
MSCI Emerg. Mkts.	47651	55683	1.40%	18.50%
FTSE 100	7143	7310	0.20%	2.50%
DAX 30	11481	12014	1.30%	6.00%

What to do? 70/30 Global/Canadian Splits!

Asset mix – Canadian equities are oversold but not undervalued. With July underperformance, the S&P/TSX has fallen to 2000 lows vs. US equities and to 2008 lows vs. global equities. While it would be tempting to call for a catch-up trade, the problem is that Canadian stocks as a whole trade at record-high premiums to US and global equities when corporate debt is accounted for. We believe international investors have taken notice as net foreign flows into Canadian equities appear to be rolling over. Past peaks in foreign flows have historically preceded/coincided with equity corrections. As such, we reiterate our UW call and investors should limit Canadian equity exposure to bombed out resource sectors where recent outperformance seems sustainable due to improving commodity prices. The surge in the CDN\$ should be used to raise unhedged equity exposure globally where valuations remain more attractive. As a reminder, we showed in our July report that the optimal equity mix for Canadian-based investors is 30% Canadian and 70% unhedged foreign equities. In other words, we calculated that this mix maximizes the return-to-risk ratio. I’m reposting the chart, because I think it’s something everyone needs to see below (Fig. 1) **Discover how to use sector ETFs to balance your portfolio to a global perspective. To read further [click here:](#)**

Mandate of the Month: Guardian Global Fundamental Balanced

Starting with this issue, once a month we are going to focus on an individual investment mandate through our Investment Counselling Program (ICP), that is being used to expand our specialization for clients. The ICP provides discretionary money management from world-class portfolio managers with diverse styles and investment mandates. It allows each client to hold a separately managed account and directly own the underlying securities within this account. Working with some of Canada's best money managers, Canaccord has onboarded this service to allow clients to access these ideas at pricing below market rate if you were to buy yourself- if they are even available without our help. Some are not. Talk to us about what this could mean for you. E-mail [Steve](#) or [Drew](#)

Guardian Global Fundamental Balanced: 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. [Click here or on the document to see the full picture.](#)



Meet the Team: Michael Bellamy CFP

Financial Planning is a tool that everyone needs to be using in their investment strategy. If you aren't using planning with a complete overview with your manager, you are leaving your strategies to chance. Good ideas to grow your portfolio are available, but adjusting risk and knowing your situation in retirement, home and business purchases/sales, children coming in to the world, being packaged off to University, or 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 below on the graphic or here for an introduction to Mike.](#)

CANACCORD Genuity
Wealth & Estate Planning Services

Your Local Wealth & Estate Planning Specialist

Michael joined Canaccord Genuity Wealth and Estate Planning Services in 2011. He works in close partnership with Canaccord Genuity Wealth Management Investment Advisors to help clients achieve their unique tax mitigation, wealth protection, financial planning, legacy planning and estate planning goals. Michael holds the Certified Financial Planner (CFP) designations, as well as a Bachelor of Commerce from McMaster University.

The value of a financial plan

According to the Financial Planning Standards Council (FPSC), 85% of Canadians with comprehensive financial plans feel on track with their financial affairs, versus 73% with limited planning and 44% with no planning.

In addition to giving you peace of mind, a comprehensive financial plan allows you to:

- **Clarify your goals** – You may have some sense of what you want to achieve for yourself and your family, but a comprehensive plan can help to make those financial objectives actionable and measurable, allowing you to track your progress in a meaningful way.
- **Gain a comprehensive view** – A cohesive plan gives you a consolidated view of your financial life, allowing for greater control and more efficiency.
- **Identify opportunities** – With the full view of your financial picture, your advisor can work with you to mitigate tax and find efficiencies within your plan.
- **Follow detailed steps toward your goals** – A financial plan provides you with a detailed road map, with logical steps to follow, to bring your objectives within reach. Along the way, your Investment Advisor will work with you and your network of professionals to implement your plan of action.

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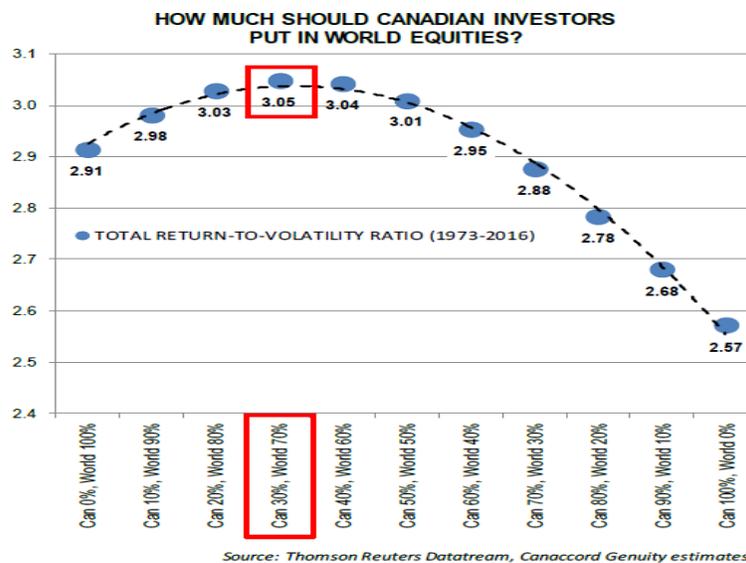
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NAFTA: Talks continue

The North American Free Trade Agreement is top of the list- if President Trump doesn't splash the new cycle. We like this article from the Fraser Institute on the core issues, and implications for Canada:

https://www.fraserinstitute.org/studies/fate-of-nafta-possible-scenarios-and-their-implications-for-canada?utm_source=Email&utm_campaign=Fate-of-NAFTA&utm_medium=Dev_email&utm_content=Learn_More&utm_term=550

Fig.1 Take a Global Look



Reminder: Coverage on the banks initiated....

Most Canadians lean on their banks and financials for at least a slice of the pie within their portfolio. Through personal, pension fund allocation, and direct hold the big banks make up a big sector in our retail markets. Canaccord has initiated coverage on the banks to help provide professional insight for our clients on how they are positioned within this sector.

“Entering Q3/17 season, we are generally comfortable with Canadian bank earnings. From the Big-6, we are modestly below consensus on BNS and RY, in line with TD, and slightly above on CM, NA, and BMO.” For the full note please contact us directly.

*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