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CANACCORD Genuity
Wealth Management

In this issue: Market update, By the numbers, What to do, Chart of the week, Mandate of the Month, What are we Reading(TSLA Call, NSLE+SBUX, Classic Goldman), Crypto Corner, Life Insurance Needs.
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What is happening?

With the S&P 500 (SPX) down the better part of 10% over the past three months, there is a clear sense of caution in the current environment. Clearly, the proper time to get nervous for a pullback would have been in late January when investors were talking about the synchronized global recovery, Fed fear was low, business and consumer confidence were bumping up against record highs, and it was nearly impossible to find a bearish newsletter writer. In the first three weeks of 2018, the S&P 500 (SPX) rallied 7.5% on these factors. That was time to be nervous.

Now is NOT the time to be nervous. With the recent FAANG and Bank drubbing, the near 10% correction feels a lot more real to many investors. Talk of inflation driving long term interest rates higher, mid-term elections causing political upheaval, recognition of slowing global and domestic growth from the peak, and much more uncertain monetary policy has investors on edge. That said, the drivers of the nine-year bull market remain firmly in place

<u>CAN Equity (CAD)</u>	YE 2017	Wk-end	Chg this week	Chg in 2018
S&P/TSX Comp	16209	15729	0.4%	-3.0%
S&P Total Return	54003	52911	0.4%	-2.0%
S&P TSX 60	960	930	0.6%	-3.1%
<u>US Equity (USD)</u>				
S&P 500	2674	2663	-0.2%	-0.4%
S&P Total Return	5213	5225	-0.2%	0.2%
Nasdaq	6903	7210	1.3%	4.4%
<u>Inter. Equity (USD)</u>				
MSCI World	1586	1578	0.1%	-0.5%
MSCI EAFE	2051	2031	-0.6%	-1.0%
MSCI Emerg. Mkts.	60879	60567	-1.2%	-0.5%
FTSE 100 (GBP)	7699	7567	0.9%	-1.6%
DAX 30 (KR)	12918	12820	1.9%	-0.8%
<u>Commodities (USD)</u>				
Gold	1303	1311	-0.9%	0.6%
Oil (Crude Brent)	\$66.61	\$74.35	-0.4%	11.6%

What to do?

There was once a time when investors could rely on selecting high quality investments for their equity portfolios, and walk away- there was also a time where 8% bond yields weren't labelled "junk quality." In most cases, over the long term, the portfolio would grow with little concern. This may have worked in the past when business environments were more stable. However, we've seen the mighty IBM topple to tech encroachments, Wal-Mart is fighting tooth and nail against Amazon, GE has seen a loss in revenue, slashed dividend, and investor confidence from it's once pinnacle of the equity pile. We now need to identify, review, and adapt as essential practices within portfolio management.

This doesn't mean we should be day trading- on the contrary. Performance reviews should be undertaken regularly, and selective changes within the portfolio should be executed based on planning and need.

We maintain that there are good companies to be owned in the market- harder to find these days with high valuations, but available to those who look.

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](#)



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Chart of the Week: In the US....

Asset Class	Canaccord Genuity Tactical Asset Allocation				Strategy Recom.
	Weighting (%)		Net	Mth ▲	
	Canaccord Genuity	Benchmark			
Stocks	57	55	+2		Overweight
Canada	20	20	0		Marketweight
United States	18	20	-2		Underweight
EAFE	12	10	+2		Overweight
EM	7	5	+2		Overweight
Commodities	8	5	+3		Overweight
Bonds	34	35	-1		Underweight
Treasuries	14	20	-6		Underweight
Invest. Grade	20	15	+5		Overweight
Cash	1 (US\$)	5 (CDN\$)	-4		Underweight

- Core Inflation remains in the middle of its 30-year range, with average hourly earnings growth flat over past two years (Figure 1). The higher average hourly earnings growth that caused a spike in rates in January has since been revised and the most recent trend does not appear worrisome.
- A still-positive yield curve, with no recession in sight (Figure 2). We again point to our study over recent months showing that over the past seven economic cycles, a recession takes place a median 19 months after the initial date of inversion of the 2-10yr U.S. Treasury yield spread. It has taken even longer over the past three cycles.
- EPS likely up 25% in 1Q/18 and over 20% for CY2018. Obviously, the 2017 Tax Cut legislation and improved regulatory environment have helped ramp EPS for the current quarter and year. The great news is that top-line growth should be up 8.4% for the quarter and mid- to upper-single digits the rest of the year. In addition, given the current trend of the economic data and slope of the yield curve, we believe it would take an economic catastrophe to cause our 2018 operating EPS of \$155 to be too high.
- Near-record-high profit margins despite the fear labor inflation and higher input costs. Have you ever noticed the negatives are always considered dynamic, while the positives are considered static? Despite fear of inflation hitting corporate profit margins, top-line growth and price flexibility must be in part responsible for record high margins.
- Any valuation compression has been due to sharply higher earnings vs. any significant increase in rates over the last three months. The SPX entered the year at 20x trailing 2017 operating EPS, and if the market is flat from current levels by the end of the year, it would trade at just 17x with no significant increase in core inflation or recession in sight.

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:

- [Elon Musk investors call- has the street heard enough? Or has Henry Ford just met his match in automobile disruption?](#)
- [Oil hits \\$70 for the first time since 2014](#)
- [Is someone listening to us? Canadian ETF outflows, US, Global see rise](#)
- [Nestle pays \\$7.15B for the sales rights to Starbucks products worldwide](#)

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

- [Your Coins on the big board at Coindesk](#)
- [Is this a real company or a pure Ether play? ETHC buys \\$13MM in Ether to start the process](#)
- [Classic Goldman- slow play the news, and then jump the queue](#)

Investment Advisory and Financial Planning: Life Insurance as a Strategy to Protect and Build Wealth

When you buy life insurance you are looking to protect the lifestyle of your family or dependents if you should die. If this is your primary goal then low-cost life insurance may be a good starting point for you. You might also look at it as a way to build your or your family's wealth either through potential tax advantages or if you want to leave money as a legacy, like in the case of Survivorship life insurance. You may also buy life insurance as a way to secure your own financial stability, in the case of whole life insurance, or universal life insurance policies that also offer cash values and investments. These types of policies, along with survivorship life insurance policies also offer the potential of borrowing money from your life insurance policy.

1. Beginning Families: Life insurance should be purchased if you are considering starting a family. Your rates will be cheaper now than when you get older and your future children will be depending on your income. Learn more at [Parents: How Much Life Insurance Do You Need?](#)

2. Established Families: If you have a family that depends on you, you need life insurance. This does not include only the spouse or partner working outside the home. Life insurance also needs to be considered for the person working in the home. The costs of replacing someone to do domestic chores, home budgeting, and childcare can cause significant financial problems for the surviving family. Learn more at [Parents: How Much Life Insurance Do You Need?](#)

3. Young Single Adults: The reason a single adult would typically need life insurance would be to pay for their own funeral costs or if they help support an elderly parent or another person they may care for financially. You may also consider purchasing life insurance while you are young so that by the time you need it, you do not have to pay more due to your age. The older you get, the more expensive life insurance becomes and you risk being refused if there are problems with the life insurance medical exam. Otherwise, if one has other sources of money for a funeral and has no other persons that depend on their income then life insurance would not be a necessity.

4. Homeowners and People With Mortgages or Other Debts: If you plan on buying a home with a mortgage, you will be asked if you want to purchase mortgage insurance. Buying a life insurance policy that would cover your mortgage debt would protect the interest and avoid you having to buy extra mortgage insurance when you buy your first home. Life insurance can be a way of securing that your debts are paid off if you die. If you die with debts and no way for your estate to pay them, your assets and everything you worked for may be lost and will not get passed on to someone you care about. Instead, your estate may be left with debt, which could be passed to your heirs.

5. Non-Child Working Couples: Both persons in this situation would need to decide if they would want life insurance. If both persons are bringing in an income that they feel comfortable living on alone if their partner should pass away, then life insurance would not be necessary except if they wanted to cover their funeral costs. But, maybe in some instances one working spouse contributes more to the income or would want to leave their significant other in a better financial position, then as long as purchasing a life insurance policy would not be a financial burden, it could be an option. For a low-cost life insurance option look into Term Life Insurance or consider first-to-die life insurance policies where you pay for only one policy and the death benefit goes to the first to die.

6. People Who Have Life Insurance Through Their Work: If you have life insurance through your work, you should still buy your own life insurance policy. The reason you should never only rely on life insurance at work is that you could lose your job, or decide to change jobs and once you do that, you lose that life insurance policy. It is not strategically sound to leave your life insurance at the hands of an employer. The older you get the more expensive your life insurance becomes. You are better off buying a small backup policy to make sure that you always have some life insurance, even if you lose your job.

7. Business Partners and Business Owners: If you have a business partner or own a business and there are people relying on you, you can consider purchasing a separate life insurance policy for the purpose of your business obligations.

8. Buying Life Insurance on Your Parents: Most people don't think of this as a strategy, but it has been used and can be a smart thing to do. Life insurance on your parents secures a death benefit to you if you put yourself as the beneficiary of the policy you take out on them. If you are paying their premiums you will want to make sure you make yourself an irrevocable beneficiary to secure your investment. This way when your parents die, you secure the amount of the life insurance policy. If you do this while your parents are young enough, it may be a financially sound investment. You may also want to protect your own financial stability by looking at buying long-term care for them as well or suggesting they look into it. Often when parents fall ill as they get older the financial burden on their children is enormous. These two options may provide financial protection that you might not have otherwise thought of.

9. Life Insurance for Children: Most people would suggest that children do not need life insurance because they have no dependents and in the event of their death, although it would be devastating, life insurance would not be beneficial. Some people purchase life insurance for children as they reach early adulthood to help them get a head start on life. A permanent life insurance policy may be a way to build savings for them and give them an opportunity to have a life insurance policy that pays for itself by the time they have a family of their own, or if they want to use the cash portion to borrow against for a major purchase. Life insurance for children may be purchased as a gift to them. [Click here for a full overview on our financial planning services](#)

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