

CHOO'S FINANCIAL INSIGHTS

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2018 Economic Outlook

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HollisWealth^W



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Dear friends,

I recently attended the *12th Annual iA Securities Year Ahead Investment Conference*, in Toronto, featuring some of the top investment minds from both within and outside the organization.

The purpose of the event was to showcase the view points of industry experts and economists from some of Canada's Largest Asset Managers including iA Financial Group, Dynamic Mutual Funds, sector analysts from iA securities, as well as a keynote speaker from Environics, who provided some interesting sociological commentary that served as a nice complement to the day's investment content.

Some of my key takeaways of the day include the following:

- ◆ According to Dynamic Mutual Funds, 2017 stock markets had the lowest volatility (2.8%) since 1928; hence be prepared for higher volatility in 2018!
- ◆ 2017 marked the first year of synchronized growth globally
- ◆ Forecasters are becoming very positive about Europe and Canada
- ◆ China is piling on debt and is a concern
- ◆ Europe is in much better shape than early 2016
- ◆ U.S. is heading in a much better business cycle than in the past
- ◆ The U.S. inflation remains low for the near future
- ◆ The U.S. is growing at its full potential
- ◆ U.S. tax reform is a short term stimulus financed by debt

Canada has been building a strong momentum since mid 2016

CONTINUED...

- ◆ Canada's economy is supported by high inflow of workplace ready immigrants (who are highly educated) !
- ◆ Immigration has a positive impact on real estate
- ◆ Canada's households are more indebted than in the U.S., but the labor market is healthier
- ◆ Possible 2 to 3 additional rate hikes in Canada for 2018

CONCLUSION

1. The present cycle is expected to continue for several more quarters
2. Bond market could be under pressure if inflation picks up
3. Stock markets still have room to go, mainly outside the U.S.
4. Central banks will become less accommodative, we expect more volatile markets in 2018
5. Most of the experts continue to favour stocks over bonds, and equity markets should continue to do well as long as labour markets continue to improve. Stocks, however, are not cheap. Valuation is not a good timing tool though, and then high valuations should be viewed as an embedded risk rather than a reason to get out of stocks.

The consensus viewpoint at the conference was that the Trump Administration remains a major variable, but conditions for corporate earnings growth and stock market appreciation are in place

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Over the last few weeks, the stock markets have been very volatile (as expected). The economic fundamentals have not changed. Instead of panicking and being scared, stay invested and invest more if you can.

As an investor, going through down markets are inevitable. There is no assurance in the timing of when a bear market will occur, nor the depth of it. With that in mind, it is important to be prepared. It is not a matter of when a bear market will occur, rather “when”. Unfortunately, you won’t know until after whether the initial decline will result in short term effects on a long term chart, or if it will be the beginning of a more fundamental adjustment.

Some important factors to consider; in a highly charged market, there will be a mass amount of information comparing previous cycles to the current. Each cycle is different in its length and profundity. Most of the information circulating will generally be poor, and based on speculation. Which, is why it is vital that you do not believe everything that you read. Have an open mind and do not establish only one point of view.

If there is one thing to be sure of, it is that every bear market begins with a bullish investor sentiment (greed), and results in extreme bearishness (fear).

Keep in mind that Bear markets are a windfall for long term investors. Everyone is scared that prices are down low, but you must not allow that fear to motivate your buying and selling decisions. Rather, be patient and be prepare to shift gears when the market starts to decline.

When prices start to move into an appealing range, get started, but keep some buying power in reserve. Prices could get even better.

MORE RECENTLY

I hope this gives you an idea of what 2018 may hold. If you have any questions regarding the conference I attended or this article, please don't hesitate to reach out.

Take care of yourself and your family!

Talk soon!

Sincerely,

Ray

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