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> Concentrate on poverty and you will be poor.
>
> *James Van Fleet*

"You have two choices: You can make a living, or you can design a life."
Jim Rohn

Canada's tight housing market posts first sales gain in 6 months

Canada posted its first nationwide home sales increase in six months as the end of summer vacations and a steadily improving economy boosted the market.

National home sales rose 0.9 per cent in September from the month before, the first monthly increase in transactions since March as benchmark home prices rose 1.7 per cent, according to data released by the Canadian Real Estate Association. Even as sales picked up, however, the amount of new housing supply hitting the market fell 1.6 per cent, putting a slim majority of local markets back into sellers' territory, according to the report.

"Given we are still stuck at around two months of inventory nationally, the thing to keep a close eye on going forward will be the behavior of prices," Shaun Cathcart, the real estate board's senior economist, said in a press release accompanying the report. "While the acceleration in home prices we saw in September was more than most would have expected, the fact that prices are now moving back in that direction is not surprising."

Though the housing market has cooled since the low interest rates and demand for bigger living space induced by the pandemic drove it to a record-setting frenzy earlier this year, prices have remained elevated and helped make housing affordability an issue across the country. With the relative lull in the market coming to an end, the upward pressure on prices may accelerate again -- posing a challenge to Prime Minister Justin Trudeau, who was returned to power in an election last month in part on promises to help first-time buyers.

An increasing vaccination rate has meanwhile sped Canada's economic recovery. Last month saw the country add 157,000 jobs, fully recouping all the losses brought on by the COVID-19 pandemic and sending the unemployment rate down to 6.9 per cent.

For the housing market, the improving economy could only make things tighter. Canada's proportion of sales to new listings rose to 75 per cent in September, up from 73 per cent in the previous month. Economists consider a figure between 40 per cent and 60 per cent representative of a balanced market.

Transitory inflation forces could last up to another year: Poloz

A former governor of the Bank of Canada is bracing for the inflationary trends that central bankers are wrestling with around the world to last a little longer than some people might think.

"The word transitory sounds really short to people," said Stephen Poloz, who served as the central bank's governor from 2013 until 2020, in an interview last week.

"I think the big things that are affecting the view right now will take probably into next spring, say the next six to 12 months for them to work their way out."

Poloz indicated he is still of the view that current forces that pushed Canada's inflation rate in September to the highest level since 2013 will ultimately prove to be transitory.

He said, however, the economy is currently facing "the most complex combination of forces that I've ever seen. So many things tugging in opposite directions. You'd expect that the net effect of all these things will be a question mark for some time."

And while Poloz indicated there's a clearer timeframe for pandemic-driven inflationary forces to work their way through the data, he suggested it's anyone's guess how long it will take for global supply chain problems to get sorted out. He added the best information about clearing up those shipping challenges will come directly from companies.

"I really don't have any idea how long they may take to clear up," he said.

"You know, it's like when you're in a traffic jam in the morning: you don't really know how long it's going to take to clear and even when it is cleared, it takes a while to get started up again in a nice rhythm as you're used to. So, hard to predict that."

Statistics Canada says manufacturing sales rose 0.5% in August

Canadian manufacturing sales rose 0.5 per cent to $60.3 billion in August, helped by gains in the petroleum and coal sector and higher chemical sales, Statistics Canada said last week.

The overall increase followed a decline of 1.2 per cent in July.

Total manufacturing sales in August were up 14.9 per cent on a year-over-year basis.

TD Bank economist Omar Abdelrahman said together with recent positive data including the September jobs report that the Canadian economy appears to be on track to record a solid rebound in the third quarter.

"However, the manufacturing sector still has significant lost ground to make up," Abdelrahman wrote in a report.

"Looking past the monthly noise, sales volumes have exhibited a zigzag pattern since the beginning of the year. Shipment volumes remain far detached from their recent peak reached in March, let alone their pre-pandemic levels."

Statistics Canada said in August that the Canadian economy contracted at an annualized rate of 1.1 per cent in the second quarter, its worst quarterly showing since the start of the pandemic.

However, the agency said last week that the economy added 157,000 jobs in September to put employment to its pre-pandemic level for the first time.

The August increase in factory sales came as petroleum and coal product sales climbed 7.3 per cent to $6.6 billion in August to reach their highest level since May 2019. Chemical sales rose 6.3 per cent to a record high of $5.4 billion.

Meanwhile, the ongoing shortage of semiconductor chips hurt the motor vehicle sector which saw sales fall 8.7 per cent to $3 billion in August and wood product sales dropped 17.1 per cent to $3.3 billion mostly due to lower softwood lumber prices.

Overall manufacturing sales in constant dollar terms rose 0.6 per cent in August, indicating a higher sales volume.

Perspective

"People love gossip. It's the biggest thing that keeps the entertainment industry going." Ellen DeGeneres

How are supply chain issues impacting equity markets? - *By Kelly Bogdanova*

Read time: under 5 min

Supply chain problems are a source of concern and underpin inflation pressures. We examine root causes, and discuss the impact on the equity market.

As major equity indexes came off the boil in Sept., key reasons for the market's retreat were supply chain constraints and their knock-on effect on inflation. The problems have been present and well known for many months, but they have become exacerbated recently. We think they are unlikely to abate anytime soon.

COVID-19 prompted much of the supply chain bottlenecks, and there are other factors:

- A sharp increase in demand for goods: As the global economy re-opened after being nearly shut down in 2020, demand surged. Supply chains aren't built for this. Also, the pandemic has sparked lifestyle changes as household spending has shifted more toward goods and away from services. Consequently, shipping volumes from Asia to North America are up 27 percent compared to pre-pandemic levels, according to RBC Global Asset Management (RBC GAM).
- Labor shortages in a variety of industries: This has occurred for multiple reasons, including ongoing concerns about COVID-19 risks, a mismatch between job openings and qualified applicants, and perhaps changes in career goals and priorities helped along by the pandemic. In August, the proportion of the American workforce that voluntarily quit their jobs surged to the highest level on record going back to 2001.
- Low supply of container ships: The shipping industry was running low on ships even before the pandemic. Over many years, the number of shipyards worldwide has dropped 63 percent since the previous peak level in 2008, according to RBC GAM. More ship capacity will likely go offline as new regulations come into force in 2023 that will require ships to be retrofitted for environmental purposes.
- High shipping costs: The most widely followed measure of container shipping costs, published by research firm Drewry, indicates that while container prices have retreated a bit so far in October, they are still up 283 percent from a year ago.

- Abnormally long processing times at ports: Shortages of longshore workers and increased demand for goods have backed up container and ship positioning. When ships sit idle off the coast it reduces the number of trips they can take, and the backlog mounts.
- Truck driver shortages: Land-based transportation systems are having difficulty processing the large volume of containers stacked up at ports because of the COVID-19-related shortages of truck drivers, particularly in North America.
- Lean inventories: Global supply chain problems quickly become consequential and multiply when inventories are tight. Moreover, because the problems are well known, orders for raw materials, component parts, and finished goods are now being placed earlier than normal, which is lengthening the queue, creating a vicious cycle, RBC GAM points out.
- Energy price spikes: This problem has surfaced more recently, and could persist through the winter, at least. Two examples: Chinese manufacturing has been constricted by power shortages and rationing due to high coal prices and the government's power consumption limits; and, the surge in natural gas spot prices in Europe has hampered the fertilizer industry, which impacts agriculture production and prices. Power bills for businesses and households are on the rise in Europe and Asia.
- The UK's own unique problems: Brexit labor rules that place restrictions on EU workers have hobbled distribution channels. Separately, trade frictions between the UK and EU are at risk of heating up in the coming months over the Northern Ireland protocol, which could cause another set of supply chain challenges.

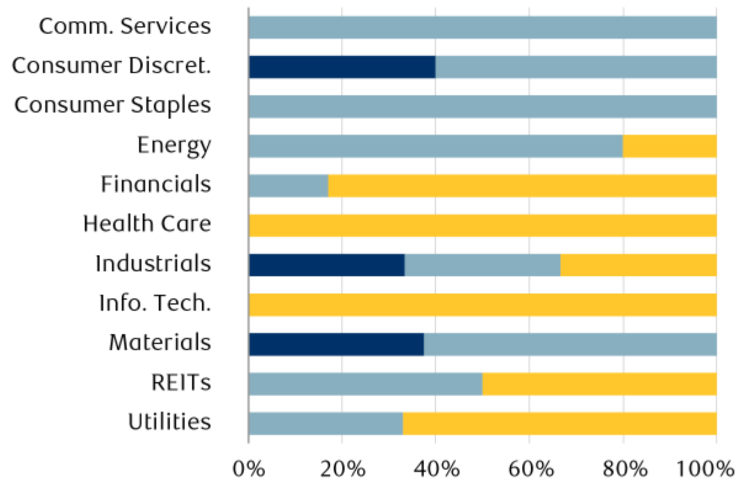
The global versus equity market impact

The bottlenecks are unlikely to disappear overnight. A month ago, RBC Elements conducted a digital intelligence study that indicated 77 percent of the major ports it monitors were experiencing abnormally long turnaround times, and that the overall global problem was trending "unequivocally worse."

But there is an important distinction to be made between the impact on the global shipping industry and the impact on U.S. stock market sectors. Some sectors are experiencing major-to-moderate supply chain problems (Consumer Discretionary, Materials, and Industrials), while other sectors are not experiencing problems (Health Care and Information Technology), according to a survey of RBC Capital Markets equity analysts. The remaining six sectors seem to be coping, and fall somewhere in between, as the chart illustrates.

Supply chain headwinds most prominent for Consumer Discretionary, Materials, and Industrials

Survey of RBC Capital Markets equity analysts: How would you characterize supply chains for your



industry?

Major problem

Not a problem or not relevant

Moderate problem

Source - RBC Capital Markets U.S. Equity Strategy, RBC Capital Markets estimates; sector scores are derived from industry scores in the relevant sectors. Survey conducted in late September/early October 2021.

Lori Calvasina, RBC Capital Markets, LLC's head of U.S. equity strategy, believes the survey results indicate that supply chain problems facing the broader domestic equity market "may not be as dire as September headlines suggested." Management teams' comments during the Q3 earnings reporting season should provide further insights on implications for profit margins, and on the magnitude and potential duration of the problem.

RBC GAM's chief economist Eric Lascelles anticipates that the holiday shopping season will keep shipping costs "extremely high" over the next couple months, and thinks supply chain problems could persist another six months to a year. It will take time to resolve the labor supply-demand mismatch. Some firms have already warned that bottlenecks could last into 2023.

The path of the pandemic could play an important role, after all, it is the source of much of the stress. Calvasina notes that the trend in global COVID-19 infection rates has been a loose leading indicator for freight costs. So if infections peaked in Sept. 2021, there could be relief over time.

Ongoing supply chain pressures will likely be a headwind for economic growth and have knock-on effects on inflation over the near term and possibly midterm. However, Lascelles anticipates that once supply chain pressures ease—with the increase in shipping costs and product input shortages eventually abating—this should end up being a deflationary and pro-growth force for the U.S. and global economies.

No easy fix

As long as supply chain problems don't worsen meaningfully or drag on for an extended period, we think the overall impact on corporate profits and the equity market will be contained. But this issue is one of the reasons we believe inflation will remain elevated in North America and will rise in Europe and Asia, and that equity market volatility could persist and returns could be more muted in the next twelve months.

https://www.rbcwealthmanagement.com/ca/en/research-insights/how-are-supply-chain-issues-impacting-equity-markets/detail/

Wit

"There are three things I have learned never to discuss with people...religion, politics and the Great Pumpkin!" Charles M. Schulz

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403.266.9647 Suite 300, 11012 Macleod Trail SE Calgary, AB T2J 6A5

Home

“Where we love is home - home that our feet may leave, but not our hearts.”
Oliver Wendell Holmes Sr.

HOME BUYING 101: 7 Questions To Ask Yourself Before Buying a Condo

- *By Emma Pulley*

For some people, condos are the perfect home. For others, it's not the right fit. If you're still figuring out whether condo life is right for you — or you're doing some early research into buying your first condo — asking yourself these questions can help.

The decision to buy a condo versus any other type of home is typically driven by personal preferences, budget, lifestyle, or a combination of these. If you’re considering a condo as you start out in the real estate market, as you downsize from a larger home, or to take advantage of the benefits of condo life, asking yourself these questions will help you determine if a condo is a fit for you.

1. Do I like living in bustling, urban spaces?

Condos are often located in urban areas, where there isn’t a lot of detached housing. If you enjoy living in the heart of a city, get energized by the bustle of urban life and like having shops, restaurants and venues steps from your door, a condo may be perfect for you. If, on the other hand, you shy away from congestion and don’t like city noise, it may be trickier to find a condo to fit the bill.

2. How do I feel about home maintenance?

One of the main benefits of condo living is that they are easy to maintain – shoveling snow, mowing the lawn, cleaning out the eavestroughs are jobs you’ll never have to tackle as a condo owner. For many, this is the main draw of buying a condo. Whether you travel or work away from home a lot, don’t have the patience for home maintenance or simply dislike the responsibility, a condo might be the right choice for you.

3. Am I OK with rules?

Condominium corporations are governed by the Condominium Act, 1998 that allows a condo corporation to make bylaws and rules that residents must adhere to. The rules are intended to protect the investment and the property of the owners and create an environment that all owners buy into.

While the rules are created with owners' interests in mind, it's important that you understand what they are before you purchase to ensure they fit with your lifestyle. For instance, some condo corporations have a restriction on pets, visitor access to shared facilities, short-term rentals and parking. Some also require specific window coverings and limit balcony usage (i.e., no barbecuing or hanging of laundry).

4. Would I use a gym / pool / party room?

Many condo buildings come with amenities, such as a gym, party room, pool, guest suites, concierge and parking. Generally speaking, the more the amenities, the higher the maintenance fees of the condo.

Maintenance fees are a monthly expense that all condo unit owners pay. It's a shared pool of money that helps the building pay for expenses throughout the year, covering costs such as utilities (i.e., water and garbage collection), building insurance, maintenance of common areas (such as the front desk, hallways, landscaping) and the building's reserve fund. These fees are in addition to your mortgage and should be carefully weighed as you evaluate your decision to buy a condo.

"Condo fees really have to be considered in the overall home buying budget," says Nicole Daoust, RBC Mortgage Specialist. "If a buyer is getting a pre-approval and they're looking at condos, we have to ensure that their pre-approval has allowed for this, because condo fees are factored into their capability to qualify."

Bottom line: If you feel you will make good use of the building's amenities, you may feel comfortable paying them. If not, you may want to find a building with lower fees and fewer facilities.

5. What kind of tradeoffs am I willing to make?

What are you looking for in a condo? Is your priority a large space, or a modern unit with the latest tech and décor? Do you need a balcony, or would you prefer a pool? It's not always easy to get everything you want in a condo – typically, newer units are smaller but come with modern finishes, while older units may come with more square footage. Understanding your personal priorities can help you first determine if a condo is the right fit for you and what kind of building would be the perfect match.

6. Am I willing to do upfront research?

Buying a condo, like buying a house, requires some legwork on your part to ensure you're getting a fair deal and won't be faced with nasty surprises after closing. While it's always a good idea to have your unit evaluated by a certified home inspector, it's just as important to inspect the paperwork of the building you're buying into and the condo board that runs it.

For starters, you'll want to take the time to read your building's declaration, which is essentially a condo's charter or constitution. If you're buying a brand-new condo, you'll then want to read the disclosure statement provided by the developer and have it reviewed by a lawyer with experience in condo law (if you're buying a resale condo, you'll want to request the status certificate). These documents will tell you the condominium corporation's management structure, common expenses, the current budget, any legal issues or proceedings, unit leases, insurance, upcoming repairs or maintenance as well as the size of its reserve fund, which is the money set aside to pay for capital expenses.

If you're serious about a condo, it's also worth speaking with some of your potential neighbours and meeting some members of the condo board. Once you move in, attending meetings and potentially joining the board can allow you to have a say in the way the building is managed.

7. How long do I plan to live in my condo?

Is your next home intended to be a forever home, starter home or transition home? Having an idea of how long you plan to live there can help you determine if the move is right for you as it will influence your perspective on the size, style and location of the condo, as well as your willingness to pay for the associated maintenance fees. Your priorities may change depending on your short-term and long-term plans.

https://discover.rbcroyalbank.com/home-buying-101-7-questions-to-ask-yourself-before-buying-a-condo/

Retirement

"Don't eat anything your great-grandmother wouldn't recognize as food."
Michael Pollan

Prepping For Retirement: Seven Ways to Organize Your Life and Finances

- *By Diane Amato*

Read time: under 3 min

There's something to be said for simplifying. And given the popularity of series dedicated to decluttering houses, letting go of stuff you don't need is a highly appealing concept to people the world over.

While tidying up your home and organizing your life can bring a sense of joy, freedom and control, the same may be said for organizing your finances.

In fact, purging, merging and organizing your financial life may give you a better grasp of what you have, and set you up for a more enjoyable retirement — especially if you find money stashed away in these long-lost accounts. Did you know that the Bank of Canada is holding approximately $816 million in unclaimed balances from accounts people have forgotten?

Here are seven ways to help organize your financial life and find more clarity for your future.

1. Merge Bank Accounts.

If you have a number of different accounts — perhaps that you used for different goals and purposes over the years — now is the time to tidy them up. Keep only the accounts you need — such as one savings account and one checking account — and transfer any lingering balances in.

2. Purge Old Credit Cards.

Like with a forgotten coat in your closet, if you can't remember the last time you used a credit card, get it out of your life — especially if they have an annual fee. The best way to do this is to call your credit card issuer and ask for your account be closed. Even if you're still carrying a balance, you can usually close off the card to new charges while you pay it off. Just be sure to keep one or two cards to maintain your credit score and access to emergency funds. It's a matter of reducing, simplifying, and making thoughtful choices about what to keep and what to discard.

3. Toss Old Tax Returns.

If you become the subject of a CRA audit, the government will go back a maximum of six years to really dig into your finances. So for anything older than that, get out your shredder. Depending on how long you have been storing your old returns, you could be purging a few boxes right here.

4. Review Your RRSP Beneficiaries.

Is your ex- still the beneficiary of your RRSP? Or only your first child (out of three)? Like with a will, make sure your beneficiaries are up to date so your money goes to the people you intend to receive it.

5. Consolidate Your Pension and/or Company Retirement Plans.

If you've worked at a few places over your career, you might have started a handful of retirement plans, or have a pension in each of those companies. Did you transfer them to other accounts when you left? Where IS that money now? Get all your retirement savings where you can see them so you know where you stand.

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6. Size Up Your Insurance Policies.

When did you start your home insurance policy? Does it reflect what you have today? Depending on when you first started your policy, you could have considerably more (or less) than you needed to, way back when. It's also a good idea to check that your auto policy isn't covering a child who's long out of the house, and that the address, family status, and health status on your life insurance plan matches your current situation.

7. Update Your Will.

When was the last time you looked at your will? Is there a new grandchild in your life? Perhaps a charity has become important to you? Make sure any changes in your life are reflected in your will, so that the assets you leave behind go to the people and causes you care most about.

Once you've organized all your accounts, plans and policies, you may want to put all the information on paper so you have a snapshot of what you have and what it's all worth. While simplifying your financial life may not spark the same kind of joy that organizing your home may bring, organizing your finances now can help you achieve clarity and control as you look forward to your next life stage.

https://discover.rbcroyalbank.com/prepping-for-retirement-seven-ways-to-organize-your-life-and-finances/

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