



Infomail

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Welcome 2016

"There are two kinds of forecasters: those who don't know, and those who don't know they don't know"

Economist John Kenneth Galbraith
(Wall Street Journal 1/22/1993)

The year 2015 was a tough year to be an investor, particularly if you were in a market where the economy and capital markets were exposed to the energy and commodity sectors (Canada for instance).

Geopolitical issues weighed on concerns in various areas of the world, and tensions in the Middle East escalated, creating mass migrations. In addition, the Federal Reserve raised rates for the first time in a decade, despite a 2% GDP and record debt levels, and an already high US dollar.

As a result, coming into 2016, investors were already extremely wary of the economic environment. Then in the first four days of the year we get an escalation in tensions between Saudi Arabia and Iran on Monday, North Korea supposedly testing an "H" bomb on Tuesday, and major Chinese concerns on Wednesday and Thursday. The net result is a 5% decline in major North American indices in the first week of 2016, which is the worst start to a year.....ever.

While there is always something to be concerned about in our brave new world, rather than focus on the current volatility we are experiencing, I think investors should focus on the fundamental backdrop, which to me still looks constructive. The US economy is getting some traction, and expected to grow in the 2.50% range on their GDP in 2016 (That's 50% of the global economy). Europe is a mess, but getting better. That's another 20-25% of the global economy. China is a big question mark, but represents "only" 11% of the global economy right now. Canada has some issues, sure, but given the correction we've experienced in the last 24 months, Canada might actually offer some decent value in certain sectors.

Our firm issued an investment piece this AM called 'Still Not Out of the Woods' which goes more in depth into some of the topics I've mentioned. I encourage you to read it when you have a moment.

In terms of the markets, take a deep breath. Sure, it's frustrating but volumes have not spiked, and hedging/volatility as measured by the VIX has not really risen as much as one would suspect.

I mentioned earlier this was the worst start to a year ever, being down 5%. Trying to find some precedents late last night, the closest I could find was 1991, when the S&P 500 opened 4.2% lower week #1.....only to finish +20% by the end of the year.

Stay tuned,

Vito Finucci, B.COMM, CIM, FCSI
Vice President and Director, Investment Advisor
Associate Portfolio Manager

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