Wealth Management
Dominion Securities

RBC Dominion Securities Inc.

The Krygier Report

An exclusive newsletter from Mark J. Krygier, Senior Portfolio Manager | January 2023 www.krygierwealthmanagement.ca

Mark J. Krygier
Senior Portfolio Manager
& Wealth Advisor
416-733-5750
mark.krygier@rbc.com

Avital Pearlston
Associate Wealth Advisor
416-733-5751
avital.pearlston@rbc.com

Irene Hama
Associate
416-733-5752
irene.hama@rbc.com

Jacky Mai
Associate
416-733-5749
jacky.mai@rbc.com

Covid is so yesterday…

The year 2022 ended with as many questions as it began. The year started off with the impact of Covid still hampering businesses, in particular those dealing with China, and it ended with China promising to end its draconian “Zero Covid” policies, while simultaneously experiencing a flood of new cases (please, enough already!). The U.S. Central Bank (the “Fed”) started the year by threatening to raise interest rates, which it in fact did (at the fastest pace since Paul Volker in the early ‘80s which preceded a major recession), and it ended the year by threatening to keep raising them further (say it ain’t so!). Russia started an unprovoked war on the Ukraine in the first quarter of the year, and by the end of the year President Putin was blaming the Ukraine and the West for unnecessarily prolonging the war (in technical terms this is known as “chutzpah”). Bitcoin and other crypto currencies started the year with a plunge, and ended the year with a plunge in both reputation and in the fortunes of certain “crypto exchange” owners.

As the post-Covid blues continue to hit home, people have started to question what they are doing with their lives and what is really important to them. “Back to work” and “back to school” were major themes that some chose to ignore, yet, ask mental health professionals about the staggering increase in their case-loads, and we can understand why the stock price of “Zoom” was down over 60% in 2022. In fact, virtually all “Covid-related” stocks were down 50%, 60%, 70% or more in 2022, giving up all of the “gains” they enjoyed during the Covid panic. At the end of the day, there has to be a recognition that people are social beings and that all the Eleanor Rigbys out there just don’t fare well over time.

As is my custom for the first edition of my newsletter each year (now in its 25th consecutive year of production), I would like to share some of the lessons which I personally learned over the past year, as follows:

1. **Retirement is so passé.** More and more retirees are beginning to question what they want to do with their “post-working” lives. Can a game of golf or bridge really keep what Hercule Poirot used to call the “little grey cells” sufficiently active? What sort of legacy do you want to leave behind? How can you enjoy those things which are most important, in what might be a full third of your lifetime? We see amongst our clients people approaching retirement, as well as new retirees, who realize these questions are so much more important than how the Dow Jones performed last week.
2. **When the tide goes out you can see who is still standing.** During Covid, as the markets rocketed higher on the backs of a bunch of unprofitable companies (Zoom, Wayfair, Peloton, AMC, etc.)**,** the media was plastered with ads decrying the use of financial advisors as “so yesterday” since any DIY investor can invest in the SPYs (the S&P 500 index ETF) or the QQQs (the NASDAQ 100 ETF). With the US markets down almost 20% in 2022 and the US high-tech index down over 30%, where have all those “attack” ads gone? Good advice never goes out of style!

3. **Never say never.** With over 30 years of declining interest rates, consumers, businesses and governments gorged on cheap debt to satisfy their insatiable craving for "the better life" – more consumer goods, more production, more social services. In 2022, the U.S. Fed, following two years of denying inflation existed, led the charge against inflation by raising interest rates – a lot! Those same groups, consumers, businesses and governments are hopeful for a return to nirvana and excessively low interest rates, but more and more of them are starting to suspect that higher rates are here to stay.
4. **Diversifying doesn't always work.** Everyone knows the old adage, "don't put all of your eggs in one basket" and part of this adage is to promote the power of diversifying risk amongst different "asset classes". Stocks should not perform the same way as bonds, which themselves should not perform that same as commodities, etc. The one take-away from the 2022 capital markets is that bonds don't always protect a portfolio's value as bond prices dropped as much as 20% or more, with the commensurate rise in interest rates.
5. **Fundamentally it is crucial to get your "time horizon" right.** Stock markets are always going through some turmoil even though the context is always changing. Therefore, spending mental energy worrying about its daily vagaries, and worse, relying on it to provide a particular set of returns in a fixed amount of time in order to help you meet your goals, makes as much sense as waiting for the proverbial kettle to boil – it will happen when it happens and not a moment sooner. In sum, if you have a short-term need, match it with short-term financing and ignore what "could be" if invested longer. The corollary is that if you have a long-term need, match it with long-term investing and ignore the short-term.
6. **Happiness is in the eye of the beholder.** I have been through enough "bull and bear" markets to know that happiness has nothing to do with one's investment performance. Instead, true pleasure comes from one's attitude in life. Happy, goal-oriented people live lives of vitality and can handle the vicissitudes of life much better than those who expect the world around them to provide them with pleasure. Whether its get-rich-quick schemes, gambling or substance abuse, or even "investing" for short-term gains, none of these provide lasting happiness.

Bottom line

Difficult markets bring out the best and the worst in people. Media hype only exacerbates the extremes of our fear and greed, by focusing on short-term events, which at the end of the day causes needless stress and grief. As advisors we have transitioned from "investment advisors" to "wealth advisors" for a reason. We need to reach out beyond talking about which stock is the best to buy or where interest rates are headed this year. We need to plan not just for financially successful lives but for healthy, happy and more meaningful lives. These are the lessons I am taking for the coming year!

Global benchmarks

As at December 31, 2022 (Canadian $ Returns – except where noted)

Asset class	1 year	3 years	5 years
S&P/TSX Composite T/R (Canada)	-5.8%	7.5%	6.8%
S&P 500 TR - **US$**	-18.1%	7.7%	9.4%
NASDAQ Composite - **US$**	-33.1%	5.3%	8.7%
MSCI Europe Index Price Return	-11.3%	0.4%	0.8%
MSCI Emerging Markets	-16.8%	-3.6%	-2.3%
China S.E Shanghai A Price Return	-16.1%	2.2%	-1.0%
MSCI World Index Price Return	-13.6%	4.8%	5.9%

Asset class	1 year	3 years	5 years
30-year U.S. T-Bond - **US$**	-32.1%	-8.1%	-2.6%
10-year U.S. T-Bond - **US$**	-16.5%	-4.0%	-0.6%
Long GOC Bond (2053)	-27.9%	-9.2%	-2.8%
10-year GOC Bond	-12.5%	-2.6%	-0.2%
5-year GOC Bond	-6.8%	-0.8%	0.5%
3-month CDN T-bill	1.4%	0.7%	1.0%
US$/CDN$ (1.3549)	7.2%	1.4%	1.5%

Source: RBC Capital Markets Quantitative Research

For past copies of ***The Krygier Report*** visit **www.krygierwealthmanagement.ca.**

Wealth Management
Dominion Securities