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The Krygier Report

An exclusive newsletter from Mark J. Krygier, Senior Portfolio Manager | January 2024 www.krygierwealthmanagement.ca

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Big year ahead!

Well, 2023 came and went with the themes of war, political upheaval, economic slowdown, and terrorism – fun, fun, fun! Many things remained the same while others changed completely. The bright spot is that we have another year to look forward to enjoying, but not without some trepidation. Other than being a new tax year, there is nothing particularly special about the change of the calendar from 2023 to 2024, but it does give us the opportunity to look back and reflect on the experiences we had and the lessons we can learn. As has been my custom for many years, in my first newsletter of the calendar year I list a few of the lessons which I personally learned over the past year. Let me know if any of these resonate with you as well.

1. **Economics – is not a science…**Famed '80s Portfolio Manager Peter Lynch was fond of saying, "If you spend 13 minutes a year following economics, you have wasted 10 minutes." Consider the economic forecasts at the beginning of 2023 – mostly a lot of depressing predictions for the coming year. Had you relied on that information for investment advice you would have thought the best strategy for investing in the coming year would have been to stick your money under your mattress. Despite the gloom and doom predictions, most portfolios in 2023 achieved a very decent return.

2. **Intellect and academic credentials are not correlated with moral clarity –** under Congressional questioning, relating to anti-Israel demonstrations on campus, not one of the Presidents of three leading Ivy League universities – Harvard, MIT or U of Penn – was able to acknowledge that allowing public calls for the genocide of Jewish people on their campuses contravened their own policies of bullying and harassment. In response, some coined the phrase "Poison Ivy".

3. **Democracy is suffering Part I: Biden vs. Trump the sequel?** As recent polls show 70% of Americans do not want a rematch of these two candidates, the Yiddish expression "oy" most accurately reflects the sentiment of most! Whatever side of the political spectrum you find yourself, few are ready for the upcoming U.S. Presidential election. Enough said…

4. **Democracy is suffering Part II:** In trying to pass controversial Bill C-11, Canada's federal government is trying to exert control over the type of information which can be disseminated via the internet in Canada. Denying the claims that such a bill limits freedom of expression comes from the same Mr. Trudeau who in 2022 was the only Prime Minister in Canadian history to invoke the "*Emergency Measures Act*," to stop protests against the Governments' restrictive Covid laws. The *Emergency Measures Act* replaced the former "*War Measures Act*" of 1914, which was designed to suspend civil liberties (like the internment of Japanese Canadians) during times of war. The only Prime Minister in Canadian history to invoke that Act during a non-war period shared the same last name of Trudeau…

5. **Numbers are not always what they are cracked up to be Part I**: the U.S. stock markets leading "benchmark" (the S&P 500) had a fantastic year – up about 20%! However, 2/3 of the performance of this "market-weighted" index came from only 7 stocks – out of 500! In other words, this "great" performance does not in fact represent the average return of most of the 500 stocks. This skewed performance was so exaggerated in 2023, that the investment return of the "equal-weighted" version of that same S&P benchmark was more than 11% lower for the year! This phenomenon has happened only a handful of times over the past 40 years. Canadians might remember a similar phenomenon with Nortel in 1999…

6. **Numbers are not always what they are cracked up to be Part II**: Despite the "great" return (see #5 above) of the U.S. S&P 500, and even more so with the tech-laden Nasdaq index which was up almost 50% in 2023, from the beginning of 2022 to the end of 2023, the total two-year performance of both indices is almost exactly 0%. "Yo-yo" anyone?

7. **Now you see 'em, now you don't:** The yields of bonds, GICs and CDs peaked out close to 6% in late 2023 at levels not seen since 2007, after the quickest rise in yields over the shortest period of time since the early '80s. Those hoping to invest extra cash, or the proceeds of maturing bonds, GICs or CDs, at these high levels better act fast, as despite Canada's Central Bank singing the "higher for longer" mantra, yields have already dropped off and appear to be going lower. For those with mortgages renewing in the coming year or two hang in there, help may be on the way…

8. **Retirement and aging – what's your plan?** Retirement guru Marianne Oehser, author of "Your happiness portfolio for retirement," suggests that most people's perception of retirement is naïve or off base. Either they think it will be a 30-year vacation filled with non-stop golf, or that it's the end of the road and the best part of life is over. Marianne suggests the first step to enjoying retirement and aging is to examine one's own mindset. Clearly retirement will be different, but she believes that if viewed and planned properly, this stage of life can be just as enjoyable as one's pre-retirement years.

Bottom line

Each year presents its own unique challenges and opportunities. Consider it to already be a successful one, just to have the opportunity to both look back and draw lessons for the future, as well as to be able to experience another year. The keys to improving one's odds of success in all aspects of one's life are to have a positive and realistic attitude, not to be swayed by headline news, and to stay focused on one's true needs when doing any planning. Here's to a great year!

Global benchmarks

As of December 31, 2023 (Canadian $ Returns – except where noted)

Asset class	1 year	3 years	5 years
S&P/TSX Composite T/R (Canada)	11.8%	9.6%	11.3%
S&P 500 TR - **US$**	26.3%	10.0%	15.7%
NASDAQ Composite - **US$**	43.4%	5.2%	17.7%
MSCI Europe Index Price Return	14.1%	4.5%	5.7%
MSCI Emerging Markets	4.6%	-6.2%	0.6%
China S.E Shanghai A Price Return	-8.5%	-6.4%	2.4%
MSCI World Index Price Return	19.0%	7.0%	10.3%

Asset class	1 year	3 years	5 years
30-year U.S. T-Bond - **US$**	2.5%	-12.7%	-1.6%
10-year U.S. T-Bond - **US$**	3.8%	-6.0%	0.1%
Long GOC Bond (2053)	9.0%	-10.5%	-1.9%
10-year GOC Bond	5.1%	-4.2%	0.2%
5-year GOC Bond	4.2%	-1.8%	0.8%
3-month CDN T-bill	4.7%	2.0%	1.7%
US$/CDN$ (1.3245)	-2.2%	1.3%	-0.6%

Source: RBC Capital Markets Quantitative Research

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