MacLean Wealth Management Group of RBC Dominion Securities

Advantage

Wealth Management
Dominion Securities

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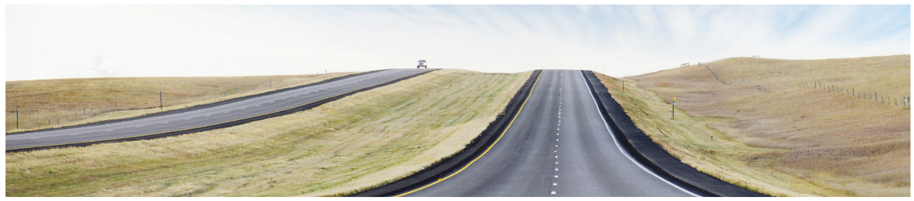

It has been quite a year so far. The world was thrown into an upheaval with the COVID-19 pandemic taking center stage. Governments around the world have taken drastic measures to combat the virus and to reduce the adverse economic consequences of the pandemic. Unprecedented amounts of fiscal stimulus are being spent by all levels of governments to help enable individuals and corporations to weather this turbulent time.

A massive effort is underway to find a vaccine or a cure for this virus and there are some promising developments in this regard. There are over 150 companies feverishly working to develop an effective medical solution to the pandemic.

Here in Canada, we are approaching a federal deficit of nearly $400 billion, with no end in sight. Several programs are in place to benefit those most in need. Significantly lower interest rates are helping to mute the cost of the added debt that governments, corporations and individuals are taking on during this difficult period. Time will tell if we find a vaccine or a cure in the near future, but life as we know it has changed for most of us.

After a severe market decline, we have seen things stabilize and recover somewhat. The presidential election in the U.S. is starting to become front-page news and current polls show that President Trump is having a rocky time. The presumptive Democratic candidate, Joe Biden, is clearly ahead in the race, as many voters react negatively to the way President Trump has handled the pandemic and his heavy-handed reaction to the Black Lives Matter movement and other protests.

In this issue, we look at the global investment outlook, how COVID-19 has impacted online spending and we review the current interest rate outlook and look at Canadian economic indicators. We also highlight several mutual and exchange traded funds.

While COVID-19 has necessitated our team working remotely for the most part, we did find time to move into our new RBC Dominion Securities office location at Yonge and St. Clair. Alex has volunteered to work full time from the new office under our partial back-to-work rules. It is almost business as usual for Alex. Technology has enabled all of us to work effectively in a virtual environment, but nothing can replace the face-to-face, day-to-day synergies we get as a team working together. Hopefully it will not be too long before we are all back together again.

Thank you for your ongoing support and please feel free to reach out to any of our team members with any questions or comments you may have.

Global Investment Outlook: “The coronavirus, COVID-19, engulfs the world”

By Daniel E. Chornous, CFA, Chief Investment Officer, RBC Global Asset Management

The COVID-19 shock altered the course of the global economy and ravaged financial markets, prompting policymakers to step in quickly and with scale. Unprecedented monetary and fiscal stimulus, combined with signs of an economic recovery as lockdowns eased, triggered a rapid rebound in risk assets.

Largest and most abrupt shock to growth in modern history

The easily transmitted virus spread rapidly around the globe, infecting more than 6 million people. Although deaths and illness are certainly a tragedy, the biggest impact to global economies came from government-imposed lockdowns that shuttered businesses and curtailed consumer activity. As a result, we have slashed our growth forecasts over the past quarter, and they are now mostly below-consensus. Our base case outlook for the U.S. is for a 7.1% decline in 2020 GDP, though we recognize a variety of scenarios are possible based on the depth and duration of the shutdowns and the speed of the subsequent recovery. Relative growth expectations between global regions vary based on the severity of lockdown measures in place, the sector makeup of their economies, and country-specific vulnerabilities such as older populations.

Numerous risks as economies begin reopening and beyond

As countries ease lockdown measures, the most prominent risk is that the virus regains traction and forces economies into a second closure. In attempting to gauge which countries are most at risk of suffering a second wave of infections, we focus on variables such as the number of infections per capita, the rate of change in new cases, the strictness of the lockdowns and the degree to which they are being loosened. The pandemic’s longer-term repercussions include elevated debt levels that could hinder growth and lifestyle changes that could lower productivity. Inflation could also emerge as a concern once economies eventually recover. While the virus has dominated our thinking, there are other risks that are worth keeping in mind. The U.S. election in November, an important Brexit deadline and the deterioration of U.S.-China relations could all serve as sources of volatility for economies and financial markets.

Policymakers deliver record stimulus

Mandated lockdowns required governments to support workers who could not work and companies that were not allowed to operate. The fiscal stimulus provided has been massive and broad-based, spanning many countries and sectors, with provisions for households as well as businesses. In the U.S., the federal government delivered nearly US$3 trillion in financial aid, almost double the US$1.6 trillion doled out during the financial crisis of 2008-2009. The U.S. Federal Reserve also supplied substantial relief on the monetary side, slashing short-term interest rates by 150 basis points in early March, and expanding its balance sheet by trillions of dollars to ensure the proper functioning of financial markets. Together, the U.S. fiscal and monetary programs have so far amounted to more than 35% of GDP.

U.S. dollar reverses gains from initial crisis-driven surge

The U.S. dollar ended a nine-year stretch of gains after the liquidity shortage experienced during the early days of the COVID-19 crisis led to what we believe was one final rally in the greenback’s lengthy bull market. The dollar’s subsequent weakness in late May and early June signaled that investors have begun to factor in its overvaluation as well as the country’s fiscal and monetary excesses. Shorter-term considerations, such as lower U.S. interest rates and election uncertainty, may also be weighing on the currency. The euro and yen are likely to benefit most during this initial phase of the U.S.-dollar decline, while we expect the Canadian dollar and British pound to lag. In the months to come, the performance of individual emerging-market currencies will depend largely on the evolution of the pandemic.

Time well spent

Planning for a successful retirement is about more than just saving – it's also about your state of mind

Will Rogers once said, "Half our life is spent trying to find something to do with the time we have rushed through life trying to save." While the famous humourist may have been exaggerating for effect, the fact is that Canadians today are retiring on average at 63* and yet are living longer than ever before – many into their 90s. This means retirees will increasingly experience a retirement life stage of 30+ years – often longer than many have worked.

The 2,000-hour conundrum

While longer lifespans can be a blessing, they can also be a challenge regarding physical and psychological well-being. Many retirees are thrilled to be ending their working years and have thoroughly planned for it from a financial standpoint. However, many do not plan for a new and very real challenge: with the average Canadian working approximately 2,000 hours a year, what will they do with all that suddenly free time?

Beating the retirement blues

Soon-to-be retirees often view their retirement as a permanent vacation from work. It's the chance to do the things they've always wanted to do but never had the time or opportunity to: hit the snooze button, travel the world, play endless rounds of golf, catch up on their reading list or tick the box on their various "bucket list" items.

However, after spending the initial years of retirement occupied by fun-filled activities, many retirees must adjust their lifestyles to address health constraints or mobility issues. What's more, many retirees begin to miss the engagement that their work life provided them, whether intellectual or social, or both. This letdown often leads to the retirement blues, or, more seriously, depression.

A different kind of bucket list

To beat the retirement blues, retirement experts recommend the following activities for retirees:

- **Working:** Working? Didn't we just put that behind us? Yes, as counter-intuitive as it may sound, many retirees choose to work – mostly on a limited basis – not because they have to but because they enjoy it. Almost half of Canadian retirees have done some sort of post-retirement work, reporting that it provided them with purpose, social interaction – and a little extra spending money.

- **Volunteering:** Giving back to their communities or important causes is another way retirees can meaningfully fill their time. Many retirees volunteer because they can be as active as their time or health permits, and balance their volunteer work with their other retirement pursuits.

- **Lifelong learning:** Going back to school to learn or complete a degree can provide retirees with a high level of engagement and mental stimulus, along with the joy of learning and the fulfillment of accomplishing a goal. New hobbies are another area of learning that can provide sustainable activity and engagement over time.

While a fulfilling life comes in many forms, retirees who plan for the non-financial aspects of retirement can avoid the retirement blues and discover that retirement, like age, is just state of mind.

To learn more, please contact us today.

* Statistics Canada, 2015.

The future of online is now

The COVID-19 pandemic forced sweeping social and business lockdowns to prevent its spread, severely limiting in-person commerce and interactions – and driving many to rapidly adapt to the online world.

"Zoom"-ing to a new cyber normal

While delivering and receiving goods and services has long been touted as the future for most businesses and consumers, the arrival of the pandemic has accelerated this trend. It's forced us to change many of our long-established routines and social patterns, whether that's going to work, exercising at the gym, shopping, dining out, or depositing a cheque at the bank.

As lockdowns begin to ease, some of these activities will gradually return, even if the "new normal" is likely to require changes to how they are done. We are, after all, social creatures, and part of the enjoyment in activities like shopping, working and hitting the gym is being with other human beings. However, many activities may not return, or return to the same extent, replaced permanently by online experiences.

The online juggernaut

The biggest, and getting bigger by the day, Amazon is now **worth more than its next nine largest competitors.***

Source: Deloitte, YCharts
*Largest public U.S. retailers based on market value as July 1, 2020 (all figures in U.S. dollars).

The virtues of virtual

And there are good reasons for this. The advantages offered by the virtual world have become more apparent:

- **Convenience** – Missing the Saturday line-up at the grocery store? Likely not. Consumers are discovering how quick and easy it is to click-and-order, especially for items such as groceries, clothing and housewares. What would have taken a few hours each week to go to their grocery or hardware store to get is now a few clicks away and delivered to your front door – and all from the comfort of your home or office. Online banking allows you to securely pay bills, apply for a mortgage, invest, and even send money to anyone around the world.
- **Choice** – Where once we had just our local store or even a mall with dozens of stores to shop in, we now have literally hundreds or even thousands of products and services to choose from online, and from a huge variety of providers.
- **Savings** – Online can save money, time and travel. Price comparisons are easy when using the internet, and global competition helps drive down costs and improve quality. Less travel means fewer cars on the road, a boon for the environment.

But the greatest savings is preserving the one commodity we can never make more of: time.

New age, new challenges

It's important to remember that, while the online world has its advantages, we need to take proper precautions to remain safe from scammers. To learn more, visit our cyber security website at www.rbc.com/cybersecurity.

Investment alternatives

The following are some alternative investment ideas for fixed income and socially responsible global equity.

CI Signature Corporate Bond Fund

The fund's investment objective is to achieve a yield advantage by using fundamental value analysis to evaluate investments. The fund will invest mainly in fixed income securities that are investment grade and below investment grade. Rates of return as of July 29, 2020 are:

1 year 2.46%, 3 year 3.75%, 5 year 4.24% and since inception 5.43%

RBC Vision Global Equity Fund

The fund seeks to provide long-term capital growth. The fund invests primarily in securities of companies throughout the world and follows a socially responsible approach to investing. Rates of return as of July 29, 2020 are:

1 year 18.29%, 3 year 17.13%, 5 year 10.97% and 10 year 13.93%

Market outlook					
	Current	YTD(%)	52 week %	2019	2018
TSX Comp.	16,294	-4.5	-1.0	19.1	-11.6
Dow Jones	26,539	-7.0	-2.4	22.3	-5.6
Nasdaq	10,542	17.5	27.4	35.2	-3.9
S&P 500	3,528	0.9	8.1	28.9	-6.2
Crude oil	40.61	-29.7	-26.9	25.8	-20.9
Gold	1,953	28.8	36.6	18.3	-1.6
Cdn. dollar	0.746	-3.2	-1.9	5.0	-7.8

Source: RBC Dominion Securities. Figures as of July 29, 2020

Canadian economic indicators			
	2020A	Q42020F	Q42021F
10-year yield (%)	0.46	0.70	1.10
Real GDP (%)	-17.10	-7.00	4.80
Consumer price index (%)	0.70	0.60	1.55
Unemployment rate (%)	12.30	9.65	8.00

Source: RBC Dominion Securities. Rates as of July 2020

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