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2022 Fall Economic Statement: Key measures that may have a direct impact on you

We analyze the 2022 Fall Economic Statement and summarize the measures that may affect Canadians and their families.

Making a Will: Six things to help you leave a lasting legacy

Preparing a Will may be the most important legacy you leave. Here are some tips to get you started.

Global markets started the month quite volatile, but then jumped higher on the back of some softer U.S. inflation data. Bond yields had similarly large moves. There were additional notable U.S. developments too: another outsized interest rate hike and mid-term elections. While undoubtedly headline-grabbing in nature, we don't view the investment outlook as having meaningfully changed. We discuss more below.

The October reading of the consumer price index (CPI) in the U.S. was released on November 10th. The index rose 7.7% year over year, suggesting inflationary pressures are still very high. However, the reading was below most forecasts, and marked a deceleration from the previous month. The October release adds some credence to the view that the U.S. may be past the worst of the inflationary pressures, for now.

The weaker inflation data is also likely to fuel the debate as to when the U.S. Federal Reserve can slow its aggressive rate hiking campaign. The Fed recently raised interest rates by 0.75%, the fourth consecutive outsized move. More noteworthy were Mr. Powell's comments, in which he indicated the pace of future rate hikes will inevitably slow at some point, similar to the messaging from other central banks like the Bank of Canada. However, he affirmed it is premature to talk about a pause, and strongly indicated that rates will still have to be higher and more particularly "sufficiently restrictive" to slow the economy, reduce inflation, and most importantly ensure future inflation expectations stay contained. That left investors wondering whether rates will not only be higher, but remain so for a longer duration.

Meanwhile, the U.S. mid-term elections took place recently. The results are not completely finalized as there are still races that are too close to call. The Republican Party did not dominate to the extent that was expected, as some projected the Party would take a decisive amount of seats in both chambers of Congress: the Senate and the House of Representatives. But, the outcome was still in-line with general expectations: a divided government, with the Presidency occupied by one party and one or both chambers of Congress occupied by the other. This will make it challenging to pass any meaningful legislation over the next two years. Nevertheless, this kind of a setup has historically proven to be a positive tailwind for equity market returns, particularly after mid-term elections.

Politics aside, the investment outlook, in our view, still boils down to the following. Inflationary pressures remain high but should weaken over the next year, driven by a combination of factors such as lower commodity prices, supply chain normalization, tighter financial conditions, and challenging year over year comparisons. As inflation slows, so too should the pace of interest rate hikes from central banks, which should lead to greater market stability, particularly in the bond market. Economic momentum should also fade as this year's rate hikes begin to more meaningfully affect the behaviour of consumers and businesses. A recession seems almost inevitable, but it may take some time to develop. The North American economies have proven to be resilient, with businesses still looking to hire and consumer spending remaining robust. We expect this to eventually change at some point in 2023.

In sum, challenges lie ahead. But, the markets have undergone a significant repricing this year given the inflationary backdrop. That has resulted in a wide range of income producing opportunities that now look relatively attractive. We intend to explore some of these for our portfolios based on our view that income will be an even more important contributor to total returns for our clients over the coming year.

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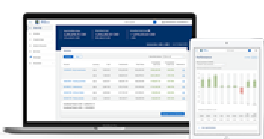

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David Ravinsky

Alex Tsapekis

Jo-Anne MacKenzie

We're committed to keeping you informed about the progress you are making towards your financial goals. Our team is always available to answer your questions, provide advice or review your portfolio.

We appreciate the opportunity to serve you and look forward to continuing to help you accomplish your long-term financial goals.

Should you have any questions, please feel free to reach out.

Sincerely,

The Ravinsky Wealth Management Group

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