

GALLIVAN WEALTH MANAGEMENT



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First Quarter 2019

April

Bolting out of the Gates in the First Quarter

Wow, that was a quick turnaround! After a difficult end to 2018, global capital markets rebounded strongly to post positive results for the first quarter of 2019. Equity markets were lifted by the prospect of easier monetary policy and optimism about trade deal resolutions, while bond markets benefited from not too hot, not too cold economic data leading to yields declining.

Market Returns

The MSCI World Index, which reflects equity market results for 23 developed market economies, climbed 10.2% in Canadian dollar terms, with broad-based gains across markets in North America, Europe and Asia. In the U.S., the S&P 500 Index finished the quarter with a gain of 11.3% (also in Canadian currency), led by strong results for the information technology, energy and industrials sectors. Emerging markets equities also made gains during the quarter.

The Canadian benchmark S&P/TSX Composite Index posted a robust quarterly gain of 13.3%. Although most sectors added value, Canada's resource-heavy market was particularly buoyed by higher oil prices, while the industrials, information technology and health care sectors also performed well.

The equity rebound came despite economic data indicating growing slack in the global economy. Central banks responded to signs of slowing growth by striking a more dovish tone and the market received this news positively. After moving to raise interest rates several times in 2018, the U.S. Federal Reserve left rates unchanged and put further increases for 2019 on hold.

Fixed Income

Yields for 10-year U.S. Treasury Bonds moved lower through the period as bond prices rose. The Bank of Canada also left rates unchanged, and 10-year Canadian government bond yields also declined. The FTSE Canada Universe Bond Index, a broad measure of Canadian government and corporate bonds, returned 3.9% for the quarter. The reduction in bond yields lowered GIC rates as well.

Market Outlook & Strategy

Since the bull market in North American equities began more than 10 years ago, investors have drawn confidence from the gradual expansion of the global economy, particularly in the U.S. As we progress later in the economic cycle, corporate earnings can be expected to slow, along with global economic growth. While interest rates remain



low and help to support business investment and equity prices in the near term, the market volatility we have seen over the past few quarters may become a more common occurrence as the cycle matures.

The V shaped correction and rebound in Q1 is a reminder of three things:

- 1) Predictions of recessions are much more frequent than actual recessions and when accompanied by too much focus on short-term returns can lead investors to sell out of the market to the detriment of their long-term returns;
- 2) Market corrections are inherently random, but when the economy is growing corrections are typically short-lived
- 3) The best time to invest is typically after what appears to be a difficult time. This has been proven time and time again by the markets.

For clients in their wealth accumulation phase we recommend staying focused on their savings rate and taking advantage of market dips by investing on a regular basis and dollar cost averaging their entry points . Clients with cash needs are well served by a balanced portfolio that is diversified and rebalanced on a regular basis with enough liquid fixed income to meet cash requirements. Finally, a **GARD** equity strategy that focuses on a basket of quality **Growth At Reasonable Dividend** companies that pay investors for being a shareholder is a time tested approach to navigating through market dips. The guiding compass for investing and managing your portfolio remains your goals, objectives and strategies as set out in your financial plan.

If you think any of your friends or colleagues could benefit from our wealth management services, or from a second opinion on their portfolio, we would be happy to help them.

Should you have any questions or concerns about your account, or if there is something new in your lives that might be relevant to your financial planning, please do not hesitate to contact our office for a consultation.

Sincerely,

Mark Gallivan, CPA, CA, CFP
Vice President, Portfolio Manager



Once again this year, Mark was able to present a cheque to the Calabogie Adaptive Ski Program from RBC Foundation. The funds went towards sponsoring the Winter Sports Clinic for military vets with disabilities. Pictured in the cheque presentation photo (Left to right)) is Dale Cross, Sports Clinic President, Mark, and Deb Blimke, CADS Program Director.

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