



not your
ORDinary newsletter

IN THE SPIRIT OF CHARLES DICKENS' A CHRISTMAS CAROL WE WILL EXPLORE THE GHOSTS OF PAST, PRESENT, AND FUTURE...

“ I will live in the *Past, the Present, and the Future*. The Spirits of all Three shall strive within me. I will not shut out the lessons that they teach. „

Ebenezer Scrooge

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DECEMBER MARKET UPDATE

THE GHOST OF HOLIDAYS PAST

Prepare to be transported back to 1982, It was a time of G.I. Joe action figures, Pac Man and the film E.T. was released. In the stock market that year, there were some general similarities to today's economic environment. Inflation had risen substantially; central banks were hiking rates at an extremely quick pace; and the S&P 500 was off well over 20% from its previous high (down 27% peak to trough). In August of that year, the S&P 500 started to climb. There were not yet any indications by the Federal Reserve or Chairman Paul Volcker that they were going to change their strategy on rate hike increases (that would come in October of that year). Yet, the S&P 500 rose. and kept rising until that 27% loss was completely erased in four months. It then went on to new highs.

THE GHOST OF HOLIDAY PRESENT

NOW CLOSE YOUR EYES AND WISH FOR THE GIFT OF A GOOD OLD "SANTA CLAUS RALLY" IN THE MARKETS.

In 2022, we have had high inflation; a quickened pace of interest rate hikes; an S&P 500 that was off 27.5% from its highs by October 14th; and a Federal Reserve that has not quite changed their tune on raising rates, but is starting to signal a slowdown in the pace of hikes. In a possibly related note: as of November 30th, the S&P 500 had rebounded 17% off the mid-October bottom, and has erased just under half of its annual losses in six weeks.

THE GHOST OF HOLIDAYS FUTURE

LOOK INTO THE NEAR FUTURE AND IMAGINE FED CHAIRMAN JEROME POWELL'S HEART BECOMES MORE 'SPIRITED' THAN 'SCROOGED', AND HE AND THE FEDERAL RESERVE COMMITTEE STOP RAISING INTEREST RATES.

This gift should be on every equity investor's wish list this year. As of today, the current target interest rate in the US is 3.75%-4.00% (the higher number of 4.00% is what is quoted when discussing current interest rates). The fixed income market is almost entirely pricing in a 50bps hike by the Fed at their upcoming December meeting, which would bring that top-end rate to 4.50%. What is less certain, is where does the Fed go from there? Unsurprisingly, Chair Powell is retaining his mostly hawkish positioning as he knows that tipping his hand too early and signalling a Fed pause in hikes could cause financial conditions to loosen (ie. asset prices such as stocks, housing and commodities shoot upwards, and any recent gains made in fighting

inflation could be at risk). His recent comments from a November 30th conference reflect this:

"IT IS LIKELY THAT RESTORING PRICE STABILITY WILL REQUIRE HOLDING POLICY AT A RESTRICTIVE LEVEL FOR SOME TIME. HISTORY CAUTIONS STRONGLY AGAINST PREMATURELY LOOSENING POLICY. WE WILL STAY THE COURSE UNTIL THE JOB IS DONE."

Powell's messaging has been consistent about "finishing the job" of breaking rapidly rising inflation, but he has also started to state the reality of how the Fed's policy decisions have not yet fully

been felt in the economy. "Monetary policy affects the economy and inflation with uncertain lags, and the full effects of our rapid tightening so far are yet to be felt. Thus, it makes sense to moderate the pace of our rate increases as we approach the level of restraint that will be sufficient to bring inflation down. They've very likely already slowed the pace of hikes from 75bps down to 50bps in December, and the stock market's anticipation of this has led to a very strong two-month rally. If we are finally starting to see some consistent signs that the Fed's policy is impacting the economy, then this rate hike cycle may be wrapping up sooner than currently expected. Just don't expect to hear this from Powell until the day they stop raising rates!

TAX TIME LOOMS, IF ANYTHING IS HAUNTING YOU PRESENTLY IT IS THIS. HOWEVER, AS WE NEAR THE END OF 2022, TAKING A BIT OF TIME TO LOOK AT SOME YEAR-END TAX PLANNING STRATEGIES CAN YIELD SIGNIFICANT SAVINGS.

The Navigator's 2022 [Year-End Tax Planning Article](#) covers a number of opportunities to reduce your 2022 tax bill.

***Clients should note we have already taken care of tax loss selling in their accounts where appropriate, but if you hold securities outside of Dominion Securities you will want to confirm that this has been looked at.**

This article covers some common individual and small business tax planning strategies that you may want to consider before year-end. That does not mean that any of these are necessarily appropriate for everyone. Clients may wish to speak with a qualified tax advisor to determine if any of these strategies are suitable for you in your circumstances. We are also happy to help answer any tax related questions you may have.

THE ORD PRIVATE WEALTH MANAGEMENT TEAM HAS GROWN

For those of you that have not had the chance to speak with our new team member, we would like to introduce you to **MIKAIL REHMAN**.

Mikail is joining us as an IROC licensed Associate, assisting the team with a variety of trading & administrative duties. Before joining the team, Mikail spent time working at the Dominion Securities branch across the street in the Royal Bank Plaza. Prior to joining Dominion Securities, Mikail spent a year with RBC Direct Investing in the Investment Representative role, specializing in customer support in trading execution & account administration. Mikail looks forward to getting to know you all in the near future.

THE ORD PRIVATE WEALTH MANAGEMENT TEAM WOULD LIKE TO
WISH YOU ALL A SAFE AND HAPPY HOLIDAY SEASON AND A NEW
YEAR FULL OF HEALTH, GOODWILL AND SUCCESS.

**AS ALWAYS, PLEASE REACH OUT TO US DIRECTLY IF YOU HAVE ANY
QUESTIONS OR CONCERNS RELATED TO YOUR PORTFOLIO.**

ORD PRIVATE WEALTH MANAGEMENT

Best regards, John, Tim, Liam & Mikail

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