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## Maple Leafs in May

### Should We Expect the Unexpected?



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Written by: JOHN ORD & TIM WALLER

## MAY MARKET UPDATE

Since October 12<sup>th</sup> of last year, it was common to hear some version of this objection:

*“Yeah, everything seems fine now, but it won’t last”,* people would say. *“Sure, this has been a great ride, but we’ve seen this too many times. We know it will end badly”.* Pessimism seemed natural, even understandable. Several months of progress could easily be dismissed as the usual seasonal pattern and nobody wanted to get their hopes up. **Why should we expect anything different this time?**

Well maybe all that negativity has been misplaced, as we have the clearest sign yet that things may be different in 2023:

### the Toronto Maple Leafs finally won a playoff series!

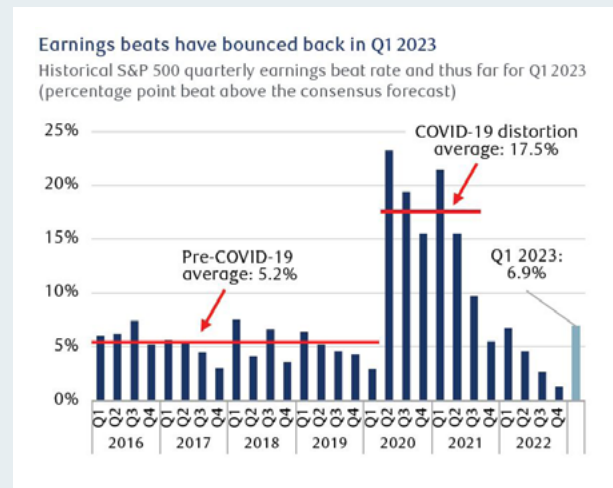
Oh, you thought we were talking about the stock market? Well, fair enough. In many ways, this Leafs’ season has mirrored the stock market. October 12<sup>th</sup>, 2022 marked both the opening regular season game for Toronto (a loss to the rival Montreal Canadiens), and the lowest closing level of the S&P 500 for the year. Since then, both the Maple Leafs and the stock market have shown resilience through adversity. The S&P 500 climbed approximately 20% from the October bottom to recent peak, and the Leafs followed through on their stellar regular season by exorcising recent playoff demons and

beating the Tampa Bay Lightning in Game 6 (overtime!) to win the series.

In honour of this semi-historic occasion for our local Boys in Blue, let’s stick with the hockey theme for some timely market-related commentary:

### FIRST PERIOD – OFF TO A QUICK START!

The first period (Q1) of 2023 has been much better than expected when it comes to companies reporting their earnings. Granted, expectations had been set quite low prior to the earnings reports, but so far we’ve seen a great majority of S&P 500 companies come in with better numbers for the January-March period that analysts had thought. This speaks to the pessimism that has gripped the market



Source: RBC Wealth Management, national research correspondent, Refinitiv I/B/E/S, FactSet; data as of 4/27/23. Q1 2023 data is preliminary and likely to change as more companies report results.

for months, as there was an assumption that earnings would take a major hit in this economic environment and possibly be a catalyst for the next leg down in the stock market. So far, that does not appear to be the case. On average, companies are beating expectations at levels we have not seen in several quarters (as the previous graphic will attest to). Much like with the Maple Leafs, the “stars” have led the way. Some specific examples of this include Microsoft, JP Morgan, Alphabet and Visa.

### **LEFT WING & RIGHT WING REQUIRE A CENTER TO HOLD THINGS TOGETHER**

While disagreements in Washington are nothing new (frankly, they seem like the whole point sometimes), there are moments when it is an absolute necessity to find common ground in order to prevent serious problems. The upcoming U.S. debt ceiling negotiations are one of those times. For a detailed explanation on the subject, please check out the link to this article from RBC:

**The rocky road for debt  
ceiling negotiations  
([rbcwealthmanagement.com](http://rbcwealthmanagement.com)).**

In summary, the debt ceiling needs to be raised so the government can pay off existing debt obligations of the United States. Without doing so, they risk default. While that end result would be positive for absolutely no one, Democrats and

Republicans do not seem any closer to coming to bi-partisan agreement at this time. We’ll likely be hearing lots more on this in the coming weeks.

### **“WASHINGTON PENALTY – TWO MINUTES FOR HIKING”**

Finally, a quick comment on the Federal Reserve and their continued quest to reduce inflation by increasing interest rates. It is likely that May’s 25bps hike will be the final one made.

**In just over 13 months,  
The Fed has raised rates a full 500  
basis points (5%) to the current  
range of 5.00%–5.25%.**

This has had varied effects: reversing the trend of inflation; tightening lending conditions; inverting the yield curve, and causing havoc in the U.S. banking sector. As any economist would tell you, the impact of these rate hikes take a while to actually impact the economy. Well, we’ve seen some of the impacts now, which includes three separate regional bank failures. Jerome Powell and his committee could have probably stopped raising rates a couple meetings ago, but they are committed to showing that they are doing all in their power to kill inflation and keep their word. The problem is that they may now be fighting the wrong battle. Inflation has trended downward for several months, and as we have discussed in previous

newsletters, that trend should continue as housing costs in the CPI reading begin to reflect the current reality. As a comparison, the Bank of Canada last raised rates in January before pausing, and yet inflation has still come down steadily since then based on all of the previous work they had done tightening conditions. **Additional rate hikes at this point are like an empty**

**net goal when your team is up by 3: the outcome is already decided, so anything more has diminishing returns.** Assuming the Fed is now also at the “pause” stage, the next question will become when do they need to make the first cut?

Good luck to the Leafs in Round 2! Hopefully we’ll be able to use the same theme a month from now...

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## TIRED OF THE SEEMINGLY ENDLESS SEARCH FOR YOUR TAX DOCUMENTS EACH YEAR?



As we come into May, many of you are probably relieved to be finished with taxes for the year. It can be very frustrating and time consuming collecting the required documents from different sources in order to file. At RBC Dominion Securities, we try to make this process as easy as possible for our clients every year.

One way we do this is to offer clients direct access to all their tax documents through their WM Online profile.

This is the fastest and most secure way to receive your tax documents and can be accessed at anytime needed, including future years.

If you feel that this setup makes sense for you, please see [the attached steps](#) to switch to electronic tax documents yourself through the WM Online, along with details on where you can find them. If you have never logged on to the WM Online site before, please contact us so we can get you set up. It is an easy process and well worth it for all the information you can access. You can learn more about WM Online's features [on our website](#).

Another option to consider to make your tax filing easier would be adding your accountant as an interested party on your accounts with us. This will allow RBC to automatically send statements and tax documents to your accountant as they become available. Please contact us if you would like to have this added.



**THE LEAFS WEREN'T  
THE ONLY TEAM THAT  
HAD SUCCESS LAST  
WEEK!**

The **19<sup>th</sup> annual Celebrity Sports Mixer Fundraiser in support of Comkids** was held on Thursday, April 27<sup>th</sup>, 2023, at the Hockey Hall of Fame.

**John was on the organizing committee for the event and the evening was a huge success, raising over \$400,000.**

It was also a night of great fun: 650+ professionals came together for a few hours for a drop-in, reception-style cocktail event, mingling with some of the Toronto Maple Leaf Greats and other sports figures, media icons & celebs. This year was even more special with the excitement around the Toronto Maple Leafs playoff run.

For the 2022/23 school year 1,100 students with limited or no computer access at home will be added to our ComKids Program across Canada, and for the first time, we are expanding our reach into Cambridge, Kitchener, Ottawa, and York Region. These ambitious students, who are chosen by their selective School Boards,

**will receive a brand new HP Chromebook along with essential digital literacy training to improve their digital access and break down academic barriers.**

You can get an update about the charity at [www.comkids.ca](http://www.comkids.ca).

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**AS ALWAYS, PLEASE REACH OUT TO US DIRECTLY IF YOU HAVE ANY  
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Best regards, John, Tim, Liam & Mikail

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