Wealth Management
Dominion Securities

OCTOBER '22 EDITION

not your ORDinary newsletter

AS WE MOVE INTO THE FINAL QUARTER OF 2022, IT'S THAT TIME OF YEAR WHEN WE TAKE A MOMENT TO STOP & REFLECT (MAYBE GRAB A SLICE OF TURKEY OR TWO) AND GIVE THANKS FOR THE ESSENTIAL THINGS IN LIFE, SUCH AS FAMILY; FRIENDS; AND THE JAYS MAKING THE PLAYOFFS!

INVESTING during the past year has been complex; however, we're ready to set the table, sharpen our knives, and carve out a few nuggets of market-related information for which we can all be thankful. So, **Let's MOVE FORWARD & DIG IN!**

Written by: JOHN ORD & TIM WALLER

OCTOBER MARKET UPDATE

TO START, WE WOULD LIKE TO GIVE THANKS TO SEPTEMBER... FOR BEING OVER!

This particular month has developed a reputation for being the worst of the entire year for the stock market, sometimes dubbed **"The September Effect."** Since 1980, the S&P 500 has managed an average return of -0.81% in the month of September (and that does not include this year). Surprisingly, it is the only month that averaged a negative return over that 42-year period.

NOW, ARE YOU READY FOR SOME GOOD NEWS?

The upcoming October-January period contains 4 of the best 5 months for average return in the S&P 500 since 1980 (only April ranks higher). Perhaps these seasonal trends will combine with a steady drop in inflation through January.

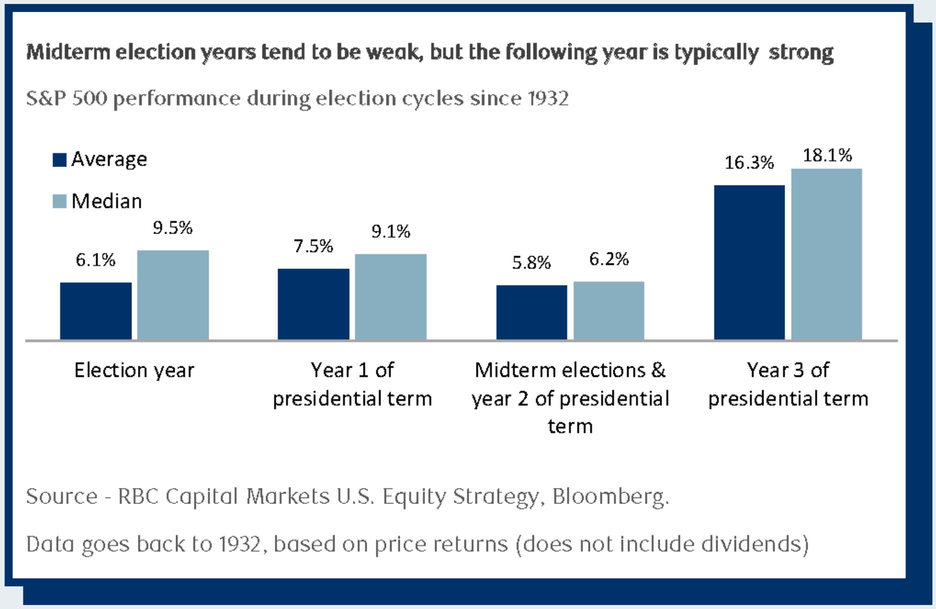
— We'd all be thankful for that.

NEXT, WE WILL GIVE THANKS TO FIXED INCOME for reclaiming its status as an investible asset class. For much of the last four decades, interest rates declined until they were near 0% in North America.

While that was **POSITIVE** for bond returns during this time frame, it also meant that future expected returns for the asset class were going to be very minimal (annual interest payments around 1% doesn't look that attractive over a long period of time): This is the main reason we have been underweight bond exposure for the past two years. However, we are now in a completely different environment with shorter-term bonds and GICs offering well over 4%. Granted, this rise in rates has been punishing fixed income returns in 2022, which are having a historically bad year. **Why is this something to be thankful for?** Well, if you look out several years, it turns out to be better to have some carnage happen now, as, over time, the return profile for a fixed income investor is much better off than if interest rates had never gone back up. Some math on this: Investing $10,000 in bonds for 10 years at 1% interest would leave you with $11,046.22 at the end. Let's take that same $10,000, and reduce it by 15% to $8,500 to estimate this year's losses in the bond market. If you earn 4% annually over the next 10 years on that $8,500, you'd have a total of $12,582.07. **MUCH BETTER!**

"TIME is such an ESSENTIAL factor when it comes to INVESTING."

F I N A L L Y ! We would like to give thanks for the upcoming November midterm elections in the United States. And, certainly not because we enjoy the political theatre that comes with it, but simply because it means we are close to entering the third year of the presidential cycle. The reason to be optimistic about this seemingly arbitrary timeline is that the stock market has historically seen its best returns during the third year of a president's term in office. **Since 1932, the S&P 500 has averaged a return of 16.3% in Year 3, significantly higher than any other time period.** For more detail on this phenomenon, please read the recent article from RBC Wealth Management titled "**THE ELECTION EFFECT,**" which provides some context. Coincidentally, the current year that we are almost through with (Year 2) has historically performed the worst. **SOMETHING ELSE TO BE THANKFUL FOR!**



Source - RBC Capital Markets U.S. Equity Strategy, Bloomberg.

Data goes back to 1932, based on price returns (does not include dividends)

AT LAST, WE'D LIKE TO THANK ALL OF OUR CLIENTS FOR THEIR PARTNERSHIP & TRUST. WE WISH ALL OF YOU A HAPPY THANKSGIVING!

In support of the incredible **COMKIDS,** I had the opportunity to participate in the Yorkville Run on September 11th — my actual birthday!

FOR OVER 20 YEARS, they have supported Grade 7 students in low-equity, underserved communities across Toronto, Hamilton, and Niagara regions providing essential digital infrastructure, educational content, and support for those facing significant barriers to digital inclusion, digital literacy and academic success. Since its inception, the significance of digital inclusion has grown exponentially as technology becomes integral to daily life, compounded further by COVID-19, as distanced learning becomes essential for successful engagement in academic activities.

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Adam Melo is the banker Ord Private Wealth Management works with, and he has consistently proven to be a valuable resource for our clients that use him already. Adam and his team work tirelessly to provide and implement customized solutions for all of their client's banking needs.

Please, don't hesitate to contact us if you're interested in RBC Private Banking and allow us to make an introduction to Adam and his team.

Our team would like to let you know that our thoughts are with all of you who have been affected by the devastation of the recent hurricanes. We hope your friends and family are all safe and wish all of the regions a speedy recovery.

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

Best regards, John, Tim & Liam

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