



Wealth Management
Dominion Securities

Ord Private Wealth Management



Not Your *ORD*inary Newsletter - July 2022

Dear Clients,

Below is Ord Private Wealth Management's July edition of our newsletter. Please reach out to us if you have questions or concerns about anything we have touched upon. For more information please [visit our website](#).

Market Update

The first half of 2022 is now in the books, and it has been one of the most difficult for investors in quite some time. For instance, the S&P 500 in the U.S. has just gone through its weakest first 6 months since 1970. Bonds have also not been their usual safe haven during the equity selloff, with rising interest rates around the world causing aggregate bond prices to retreat by double-digit percentages as well. Investor sentiment has unsurprisingly reached extremely low levels, while the narrative that high inflation will lead to an eventual recession has become more prominent. There are several challenges persisting in the global economy that we have written about previously, but inflation appears to be the most urgent challenge when it comes to the market. Although it is likely inflation will remain at elevated levels for some time, any signs that it has peaked and is starting to

decline would help to lower the volatility of the market and provide some comfort for investors.

The Federal Reserve in the U.S. and the Bank of Canada (along with most other central banks around the world) have sharpened their focus to do whatever it takes to tackle inflation. Recently, there has been a shift by these central banks to increase interest rates by larger amounts (50-75 bps) in order to try to cool the economy and subdue rising inflation. The effectiveness of this policy shift will take some time to truly be felt, but there are some early signs that the market is digesting this fairly positively. Longer term interest rates have turned lower, well below their mid-June highs (ie. the US 10-year treasury sits at 2.9% currently, after hitting a multi-year high of 3.48% on June 14th). Commodity prices, including crude oil and natural gas, have also seen their prices come down strongly in the past month, which could help ease future inflationary pressures should this trend continue. Clearly there are many factors at play, but the market itself is beginning to price in lower inflation expectations over the next year since the most recent Federal Reserve meeting and 75 bps rate hike.

We have included the Global Insight 2022 Midyear Outlook at the bottom of this newsletter. It is a good read for those that have the time. On page 17 of that report, you will find the most recent update of the “U.S. Recession Scorecard” that takes a look at common indicators of a potential recession that have a strong long-term track record. This scorecard is looking forward about 6-12 months, and at this current stage 6 of the 7 indicators are still giving the green light for “expansionary”. Please take a look at the report for further detail, which implies that any future recession does not appear to be a foregone conclusion, especially in the next year or so.

During these volatile times in the market, the most important thing to do is focus on your long-term plan and maintain investment discipline. For our discretionary clients, we will be instituting our semi-annual portfolio rebalance in the next week. This involves bringing each client’s asset mix (equity; fixed income; alternatives) back to their individual long term target. We did the same in January which involved trimming back the equity component from near all-time highs. For the upcoming rebalance, the process will involve buying a little bit of equity after a 20% drop in the market since January. Importantly, no one will be able to time the market with any consistency, so instituting this type of repeatable process ingrains a “buy-low/sell-high” discipline within a portfolio and takes the emotion out of it during a time when many will find that hard to do. We continue to maintain our neutral weight to equities that we have had since the beginning of 2022.

We understand that these types of markets are difficult for clients, as six months can seem like a very long time when there are not many positives in the stock

market. It is our job to guide you through these difficult times, and help avoid short-term emotional decisions that ultimately reduce your earning power in the future. On Page 19 of the Global Insight 2022 Midyear Outlook, you will find the chart attached below. To summarize what this chart says: Don't try to time the market, stay the course, and you'll end up better off in the long run.

Attempting to time the market and pick the bottom can be fruitless

Dollar value of \$10,000 invested in the S&P 500 from May 2002 to April 2022



Source - FactSet, RBC Wealth Management; returns based on S&P 500 Total Return Index. Past performance is not indicative of future returns; individuals cannot invest directly in an index.

Strategies to Pay Less Tax in Retirement

The summer months are often a time when those who are not yet retired think about their upcoming retirements. Given everything that is happening in the markets this year, it is natural for those who have recently retired or thinking about doing so soon to be feeling less comfortable than they may have been six months ago. The attached Navigator article from RBC provides some useful tips about maximizing your after-tax retirement income.

This article contains several strategies, not all of which will apply to your particular financial circumstances. Clients of ours will likely be aware of some of these options, but may discover there are some other strategies here that they have not yet considered. You may also feel this is an article you wish to share with your family or friends who are nearing retirement if it can be of some benefit to them.

Please reach out to our team if this is a topic you would like further explanation of.

The Navigator: Ten strategies to pay less tax in retirement

Financial Planning Reminder

We wanted to take this opportunity to remind you all of the financial planning services we offer to our clients at RBC Dominion Securities. All it requires is a small amount of information gathering on your end and most of our clients who have been through this would say it is well worth it. If you have never done a financial plan with us, or feel you would like your current one updated, please get in touch with us for further instruction.

Global Insight 2022 Midyear Outlook

2022 has brought a challenging landscape with investors adapting to surging inflation and uncertain economic conditions. Our special 2022 Midyear Outlook helps to navigate the road ahead while identifying the catalysts and opportunities to optimize portfolios.

As always, please reach out to us directly if you have any questions or concerns related to your portfolio.

Best regards,
Ord Private Wealth Management
John, Tim, Liam & Kristen

RBC Dominion Securities Inc.