

The Investment Advisor



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Trade tensions heat up: What investors need to know

As trade tensions escalate on several fronts, here's what investors should know to help navigate the uncertainty ahead.

Risks associated with trade and tariffs are the top concern of institutional investors, according to a recent survey by RBC Capital Markets. They far outweigh worries about inflation, interest rates, and Fed policy. Neither the U.S. nor its major trading partners seem willing to back down. RBC answers some questions:

Markets largely ignored trade tensions for months. Why have they reacted recently?

Perhaps this has to do with President Trump's unorthodox communications style. For much of his presidency markets have been in "show me" mode – focused on actual outcomes than rhetoric.

It's now clear the U.S. administration isn't completely bluffing and there is more to this than just tough rhetoric. What were "threats" months ago have begun to turn into actual policies. Steel and aluminum tariffs have been implemented by the U.S. and counter-tariffs are forthcoming from many trading partners. We think the additional tariff threats made by all sides now seem more credible in the eyes of markets.

What is the potential economic impact of tariffs?

The trade disputes are being fought on four fronts: (1) steel and aluminum, which impact many countries;

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"Trade tensions heat up: What investors need to know" continued

(2) automobiles, which impact auto-producing nations; (3) the U.S. versus China; and (4) the U.S. versus NAFTA partners Canada and Mexico.

Our economists believe there is a very low probability that all of these fronts will ignite at once into an all-out global trade war. They anticipate the parties will ultimately negotiate trade deals for most if not all of these because it is in the economic interests of all countries involved, including the U.S. If a full-on trade war is avoided, the economic damage should be manageable.

That being said, our economists have evaluated some harsh scenarios. For example, if the U.S. levied a hefty 20 percent tariff on imports from China, Mexico, and Canada, and each country countered, RBC GAM's economist estimates it would subtract 4.8 percent from Mexico's GDP growth (admittedly, a big number), 2.4 percent from Canada, 1.9 percent from the U.S., and 0.9 percent from China. In our view, the probability of this occurring is very low.

Which U.S. sectors are most vulnerable to tariffs?

Theoretically, the U.S. sectors with the

highest levels of international revenues—Technology, Materials, Energy, and Industrials—would have the most to lose in a global trade war on goods *and* services. But thus far, the tariff threats have focused on goods, not services. Many Tech firms, including internet and some software companies, are *service* providers. They manufacture nothing so their risk is low. However, semiconductor and hardware companies are *goods* manufacturers and have significant revenues from overseas; so are much more exposed to tariff risks.

In general, internationally-oriented semiconductor, tech hardware, materials, and industrial firms have the most exposure, and some consumer goods companies are vulnerable as well.

What could hasten the end of the trade disputes?

A meaningful deterioration in U.S. and global economic indicators and a more pronounced selloff in equity markets could push resolution. But it may not have to get that bad for deals to occur.

Corporate pressure could go a long way toward ending trade disputes. A non-trivial share of major trade relationships –

whether between the U.S. and China, the U.S. and the EU, or NAFTA members – is business-to-business and involves complex global supply chains with interdependencies that are often underappreciated by government officials. Some tariffs could tie global supply chains in knots. We don't doubt businesses of all sizes in all countries involved will warn governments about this, which could encourage trade deals.

ExxonMobil and Chevron have already warned of the damaging effects of tariffs on steel, which they use for infrastructure maintenance and expansion.

Cooling should ultimately prevail

All sides of the trade disputes have economic incentives to resolve their differences, and we think this will eventually occur. In the meantime there could be more heated rhetoric and additional tariffs implemented that could keep equity markets off balance over the near term.

Please refer to the following link for full article written by Kelly Bogdanova, required disclosures, and research resources pertaining to the article: <https://www.rbcwealthmanagement.com/ca/en/research-insights/trade-tensions-heat-up-what-investors-need-to-know/detail/>

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Women and health: Planning a legacy in the face of longevity

Statistics show 70 percent of new Alzheimer's patients are women. What you need to know about planning for long-term care.

What is the current ratio of senior women-to-men in Canada?

There are 20 percent more women over 65 than there are men in Canada. There are also two women for every man in the 85-and-older population, according to the 2016 Census. The gap widens for those over age 100, with women outnumbering men by five-to-one.

Why should women in particular pay attention to these statistics?

Canadians are living longer now than ever before, and, as women traditionally outlive men, a longer life expectancy brings added pressure to manage their wealth and legacy.

Statistics from the Women's Brain Health Initiative show women suffer from dementia twice as frequently as men and approximately 70 percent of new Alzheimer's patients are women. There's also higher risk of women being diagnosed with Multiple Sclerosis.

What future health care expenses should women (and men) be considering?

Costs often include medical expenses not covered by the publicly funded health care system, such as medical equipment, certain medications, in-home care and long-term-care facilities.

"Health care expenses can have a significant impact on a person's financial future," says Leanne Kaufman, head of RBC Estate & Trust Services.

How should women start thinking about these future expenses?

Kaufman recommends women start by ensuring they have a comprehensive wealth management plan. If the woman is a widower or divorced, her plan will likely need to be updated. A well-thought-out plan includes a financial

plan, as well as a will and power of attorney.

"Women need to start by thinking about their wants, as well as their needs, as they get older," says Kaufman. "You may want to give money away to kids or to philanthropic causes during your lifetime, but bear in mind the costs you may have to pay, which can increase over time. Don't spend it all too soon."

How many women are actively taking care of their health and wealth?

Research shows not enough Canadians have a comprehensive wealth management plan which includes a will and power of attorney. RBC Wealth Management's 2017 Wealth Transfer Report shows just over half (52 percent) of respondents have a will. Kaufman also cites industry statistics that show less than a third of Canadians have a signed power of attorney.

What benefit will a wealth plan provide for medical expenses?

A good wealth management plan can help forecast expenses based on personal preferences. For instance, some people want to remain in their home when they become seriously ill and hire health care professionals to care for them there. Others prefer to live in a long-term-care facility. Either way, the costs of this care can be several thousand dollars each month. "Once we understand someone's preference, we can plan for it," Kaufman says.

When should women begin the planning process?

Kaufman encourages women to do this planning sooner than later. The worst time to tackle a financial plan is when there's a negative life event, such as a serious illness or a death in the family.

"It will be too shocking to have to absorb it, while also trying to cope with what's happening to loved ones," says Kaufman. There's a risk of making overly emotional decisions or mistakes in the wealth management plan.

How do women want to leave their wealth and legacy?

According to an RBC survey, 41 percent of Baby Boomer women expect to give their wealth to their children. "For many women, there is something heartwarming about watching the wealth you've built directly impact the lives of your children or grandchildren," says Jennifer Lemieux, vice president and branch manager at RBC DS in Kingston ON.

Lemieux often finds herself reminding female clients to set aside enough assets for themselves, to ensure they live a comfortable and happy life. "What we don't want is for someone to give away too much capital and an unforeseen event comes up and now, rather than helping your children, you're living with them," Lemieux says with a laugh.

What will women gain by proactively planning for their health and wealth?

A complete wealth management plan, built with the support and guidance of an experienced wealth professional, can give women financial control and a sense of empowerment as they age. "It helps to reassure them that what's really important to them is looked after," Lemieux says.

The Nymeyer-Scrimgeour Group is hosting a seminar on aging and wealth management in October 2018.

For more information please contact Ashley Symons at 519-271-6142.

Formal invites with further details will be sent out in September.

Team News

Our team in the Community

International Women’s Day

On March 8, Ashley and Lee Anne attended the International Women’s Day Breakfast hosted by the Zonta Club of Stratford. This year’s event celebrated the 100th anniversary of Canadian Women having the right to vote. Proceeds supported bursaries for young women entering engineering, sciences or skilled trades, birthing kits for impoverished countries, and teen esteem programs at local schools.



Jerseys for Humboldt

On April 12, our team wore jerseys to support those affected by the Humboldt Broncos bus crash tragedy.



Lunch with Emily in the Park

Our team was pleased to be the lead sponsor of the 10th annual Lunch with Emily picnic in the park on June 12. We were happy to attend the event as volunteers to help set up, serve food, and sell raffle tickets. The annual event raises money to benefit the Emily Murphy Centre, a women’s shelter that offers safe and affordable housing for women and children escaping abusive situations.



The Hog Jog

We were pleased to be a gold level sponsor and also to participate in the 13th annual Hog Jog on June 20. The “Nymeyer-Scrimgeour Group” team raised \$3,875 and had a blast walking and running in the race. It was a hot 10km run and 3.5km walk, but a successful one, with \$51,000 raised to support the Local Community Food Centre. The Local invites the community in and around Stratford to come together to grow, share, cook, access and advocate for good food for everyone.



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