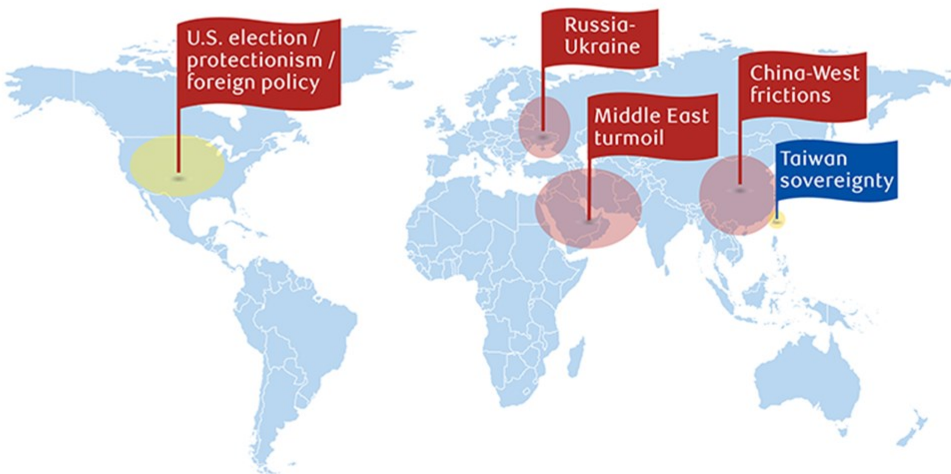
THE GREG UPSON WEALTH MANAGEMENT TEAM | RBC DOMINION SECURITIES

# UPSON'S UPDATE

FALL 2024

## NAVIGATING TURBULENT WATERS

*Staying the course through geopolitical volatility*




When the world seems chaotic, it is natural to worry about your investments. Wars, political upheaval, and global events can deliver a variety of volatility spikes to investment markets. During these volatile periods, some investors might think "Should I change course?" But history has shown that staying invested and on track with your investment plan during these volatile times is very likely the best choice. In a world that often feels uncertain, staying calm and navigating through the storm is often the most certain path to success.

**Seeing through the storm: Event specific view**

It has long been said that investment markets detest uncertainty. As much of the value of financial assets is predicated on future expectations of the performance of a company and the economy in which it operates, geopolitical events create uncertainty that undermines confidence in the outlook for the future.

When major global events happen, stock and bond markets often react quickly, immediately assuming the worst. Once the worst fails to materialize, markets typically rebound and carry on along the path they had previously been on. Here are three historical examples to illustrate the point:

- After the September 11 attacks in 2001, the S&P 500 fell by 11.6%. But within a month, it had recovered all its losses.
- During the 1962 Cuban Missile Crisis, the S&P 500 dropped 6.3% over eight days. Just 5 months later, the market was up 36.7%.

*Cont…*

### SPECIAL POINTS OF INTEREST:

- *History has shown that staying invested and on track with your investment plan during volatile times is very likely the best choice.*
- *While it's natural to feel cautious, historical data and market insights suggest that investing at all-time highs isn't always as risky as you might think.*
- *One of the best ways to protect yourself from fraud is to be aware of the most common scams that fraudsters are leaning into right now.*

### INSIDE THIS ISSUE:

• When Russia invaded Ukraine in February 2022, the S&P 500 initially fell 2.6%. By mid-March, it had already regained those losses.

These examples serve to demonstrate that, despite the initial pullbacks, markets have historically bounced back within a relatively brief period of time, regaining their losses and in fact moving higher.

**Seeing through the storm: Big picture view**

Looking at the longer-term picture, we see further evidence that markets tend to advance over time, despite the many serious issues the world periodically faces:

• From 1927 to 2013, geopolitical events only caused about 1% of the S&P 500's big price changes.

• Since World War II, the S&P 500 has gone up by about 11% per year on average, despite many global crises.

• The Canadian S&P/TSX Composite has shown similar resilience. For example, it dropped 12% after the start of the Iraq War in 2003 but recovered within three months.

**Canaries in the coal mine**

Beyond broader markets, it is interesting to note that short-term volatility generated by geopolitical and other major global events can impact some areas of the market more than others. These "canaries in the coal mine" are often the first indicators that volatility is hitting markets—with some providing "safe harbour" through the storm, while others bear the brunt of the volatility:

• Commodities: The prices of commodities, especially oil, are highly sensitive to geopolitical events. For instance, conflicts in oil-producing regions can lead to supply disruptions, causing oil prices to spike.

• Gold: Gold is often seen as a safe haven asset during times of uncertainty, and consequently often sees a surge in demand during times of trouble.

• Currencies: Geopolitical instability often shows up in the value of currencies. Those that are seen as safe havens tend to soar as investors seek "safe harbour" in times of trouble. The most popular of these are the U.S. dollar and the Swiss franc. Conversely, the currencies of countries directly involved in conflicts may fall.

In the moment, the many geopolitical events we face over a lifetime of investing can seem worrisome and perplexing for investors. But, it helps to keep in mind that companies are resilient and adaptable, and are generally able to find ways to overcome short-term challenges and continue to grow. As well, governments and central banks often step in to assist and support the economy during crises. And once they have had a chance to absorb and assess geopolitical and major events, investors are able to re-focus on the future, allowing cooler heads to prevail and markets to get back to being driven by company and economic fundamentals.

**Staying on course to your plan**

It can be hard to remain calm when it seems like so many of those around you have their hand hovering the panic button. But keep in mind what your long-term investment goals are, and how short-term volatility driven by world events have historically had little to no effect on long-term returns. This can help you avoid making quick decisions based on short-term events that could actually hurt your long-term investment returns.

A well-diversified portfolio that supports your personalized investment plan can help you through geopolitical storms and on track to achieving what matters to you.

*– Greg Upson*

## PEAK PERFORMANCE PRESSURE– STAYING THE COURSE THROUGH GEOPOLITICAL VOLATILITY

In the world of investing, the phrase "all-time high" often triggers a mix of excitement and apprehension. As prominent indices like the S&P 500 and S&P/TSX Composite continue to set new record highs, many investors find themselves wondering: Is this the right time to invest, or should I wait for a pullback? While it's natural to feel cautious, historical data and market insights suggest that investing at all-time highs isn't always as risky as you might think. In fact, it can be a smart move for long-term investors.

**The power of market momentum**

Firstly, it's important to understand that new all-time highs are not anomalies; they're a natural part of a healthy, growing market. Markets such as the S&P 500 and the S&P/TSX Composite Indices have consistently reached new peaks throughout their history, each of which once being considered "uncharted territory." Here's why this can matter:

• Clustering effect: All-time highs tend to cluster together. In 2024 alone, the S&P 500 has hit new record highs over 40 times. This is not unusual – there have been 12 other years since 1955 with a similar frequency of new highs. This clustering suggests that when markets are strong, they often continue to show strength.

Source: RBC Wealth Management's Portfolio Advisor Newsletter for Fall 2024, *Navigating turbulent waters*.

• Positive returns after peaks: Contrary to what you might expect, investing at market peaks has historically led to positive returns. According to research from J.P. Morgan, since 1970, investing in the S&P 500 on days when it hit an all-time high resulted in an average annual return of 9.4% after 12 months, and 20.2% after two years. These returns actually outpaced those from investing on random days.

• Bulls easily outrun bears: Since 1926, bull markets have lasted an average of 6.6 years, while bear markets averaged 1.3 years.

### Seeking over the peak— taking on a long-term perspective

When considering investing at all-time highs, it's important to maintain a long-term perspective to achieve your long-term goals. Typically, focusing on short-term developments in the market often leads to poor investment decisions. Here are three points to consider to help you stay focused on the long-term:

1. Market Resilience: The stock market has shown remarkable resilience over time. Despite numerous crises and corrections, the overall trend has been upward. Over the past 20 years (2004-2024), the S&P 500 has returned 664%, which equates to 10.6% annually, which included major events like the 2008 financial crisis and the 2020 pandemic.

2. Timing the market rarely works: Waiting for a pullback might seem prudent, but it comes with its own risks. You could miss out on potential gains while waiting for a dip in the market that may not come or that might be less significant than anticipated. Remember: history has shown that it is time IN the market, not TIMING the market, that pays off over the long-term.
In fact, studies show that missing just the 10 best market days over 20 years would drop annualized returns from 9.9% to 6.1%.

3. Dollar-cost averaging (DCA): If you're nervous about investing a lump sum with markets at all-time highs, you could consider dollar-cost averaging, or DCA. This strategy involves investing a fixed amount regularly, regardless of market conditions, and can help mitigate the impact of market volatility by buying more when markets are down, and less when they are high.

### Reasons to keep calm and climbing on: the current market context

As of late 2024, several factors are contributing to market optimism that may provide skittish investors with reasons to remain on track to their plans:

• Economic resilience: Despite requiring earlier recession fears, the U.S. economy has shown remarkable strength, with GDP growth clocking in at a robust 3% in the last quarter. While Canadian growth has lagged, it has still shown recent signs that the economy has avoided a recession and is poised to grow stronger over 2025 and beyond.

• Earnings growth: Corporate earnings have been solid, with S&P 500 firms estimated to see earnings growth of around 4.6% in the third quarter of 2024, and Canadian companies are also showing similar results.

• Technological Advancements: The excitement around AI and other technological innovations is driving growth in key sectors, contributing significantly to market gains.

### Keep your eyes on the horizon

While history is on your side and the market outlook is generally positive, it's important to approach investing at all-time highs with a balanced perspective. Here are five pointers that can help:

1. Stay diversified: As the old saying goes, "Don't put all your eggs in one basket." Spreading your investments across different sectors and asset classes (i.e., cash, bonds, equities) can help manage risk and avoid unnecessary volatility. And consider diversifying geographically – while U.S. and Canadian markets may be at all-time highs, other global markets might also offer value. Diversification can smooth your investment journey, and a smoother journey tends to help investors stay on track to their investment plans.

2. Volatility is a reality of investing: Markets seldomly move in straight lines. Be prepared for short-term fluctuations and resist the urge to panic sell during dips. Over time, volatility has been shown to decline, and staying invested through difficult periods tends to payoff longer term.

3. Focus on your goals, not peaks: Align your investments with your long-term financial goals. If you're investing for a retirement that's 20-plus years away, short-term highs and lows matter far less.

4. Beware of portfolio drift: To help ensure your portfolio remains within your established risk profile (e.g., conservative, balanced, growth), check-in on it periodically and ensure you haven't inadvertently "drifted" to a more aggressive (i.e., equity heavy) weighting.

5. Keep cash on hand: To maintain some cash reserves to take advantage of dips in the market. Conversely, it can also help prevent selling to generate cashflow when your investments are down.

### Staying on top — advice and guidance can help

Investing at all-time highs doesn't need to be feared; instead, it is best approached with informed confidence. As always, consult with us to ensure your investment plan aligns with your long-term goals.

Source: Portfolio Advisor Newsletter for Fall 2024, *Peak performance pressure*.

# Top Scams of 2024: What to watch for

*One of the best ways to protect yourself from fraud is to be aware of the most common scams that fraudsters are leaning into right now. Learn some of the top scams of this year so you can protect yourself against them.*

**Crypto scams**

Get-rich-quick schemes have been around for decades. For generations, fraudsters have tried to trick people into "investing" in something that is guaranteed to deliver a big payout– from imaginary stocks to Ponzi schemes. Today, investment scams are more sophisticated than ever as fraudsters leverage the public's interest in, and lack of knowledge about, cryptocurrency.

**Romance scams**

Romance scams are typically carried out online through dating sites, apps or other social media channels. They start when a cybercriminal creates a fake profile and contacts an individual looking for a romantic connection. They will then start to build a relationship and aim to gain trust very quickly. Once that's done, they will ask for money, typically for the purposes of airfare (to visit) or to get themselves or a loved one out of trouble.

**Employment scams**

Job scams are on the rise– from unsolicited email offers to fake hiring managers promoting work on social media, these scams lure job seekers with promises of work, advancement, great pay and benefits. These scams tend to ask for your confidential information, banking details, and advanced payments to get started.

**AI deepfakes**

Deepfake technology is a type of artificial intelligence (AI) that's used to create convincing fake images, videos and audio recordings. A deep fake video or image, therefore, looks like a real person, but it's been digitally altered.

In one of the most sensational cases of 2024, a Hong Kong finance worker was duped into transferring more than $30 CAD million to fraudsters who used deepfake technology to disguise themselves as the firm's chief financial officer and other senior colleagues.

**Phishing scams**

Phishing has long been one of the most common and popular types of scams. This is where victims might receive a message impersonating an individual or organization (i.e., a delivery company, financial institution, or government agency) claiming that there's an issue and immediate action is required in order to fix it. Alternatively, the message may say that you're owed a refund or that you qualify for a special prize to be claimed.

The goal of a phishing message is to either get you to click on a link that takes you to a fake website, or to share personal or financial information. Often urgent in nature and unsolicited, phishing messages are increasingly convincing and put pressure on their victims.

**Grandparent scams**

The grandparent scam is a highly pervasive and successful scam that preys on the emotions of family members. In this scam, a grandparent receives a phone call from a fraudster pretending to be their grandchild. The fraudster may use deepfake technology to mimic a loved one's voice to make it convincing. Saying they're hurt or in trouble, the fraudster will convince the grandparent that they need money immediately.

**Travel scams**

Travel scams have been on the rise Covid, as many people have a pent-up desire to travel yet are faced with higher travel costs. While everyone could use a great travel deal, some offers are too good to be true, as fraudsters try to trick would-be travelers out of their vacation funds.


Wealth Management
Dominion Securities

**Greg Upson, FSCI**
**Senior Investment & Wealth Advisor**
**greg.upson@rbc.com**
**604-257-7387**

**Alex McPhee, CIM®**
**Associate Investment & Wealth Advisor**
**alex.mcphee@rbc.com**
**604-257-7332**

**Avinash Haswani**
**Associate**
**avinash.haswani@rbc.com**
**604-257-7653**

Visit Us On The Web

WWW.GREGUPSON.COM


## Contact us

We are committed to providing you with the highest quality of service. If you have any questions, if there is anything we may assist you with, or if you would like to speak in greater detail about anything, please let us know.

**Admin Note**: Do you have everything organized for your loved ones in the event of your passing? Our *Family Inventory* document helps layout items that you'll want to have in order to ensure the handling your estate goes smoothly for those that will need to administer it in a time of grief. We recommend completing this document and leaving it in a safe place where only your successors can access it. If you'd like to get a copy of our *Family Inventory* document, please reach out to us.

**Closing Quote:**

"The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioural discipline that are likely to get you where you want to go."

-*Benjamin Graham*