Ferebee Wealth Management

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Wealth Management
Dominion Securities

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RBC Dominion Securities Inc.

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Market Timing
It may not matter as much as one thinks

Sir John Templeton said “The best time to invest in the market is when you have the money”

A topic of conversation that we often encounter centers around the challenge of trying to determine when is the best time to place new money into the market. These funds can come from various sources and could follow the sale of a property, an inheritance or simply annual TFSA/ RRSP contributions. Regardless of where the money is coming from the common element in all of these conversations is the apprehension of putting new money to work at the absolute wrong time.

Sir John Templeton’s quote kicks off this topic and there is much wisdom in this approach. This approach is followed by our A+ Platform and our experienced money managers, when a deposit is made the money is fully invested in a matter of days.

Looking at an example of the returns of the S & P 500 going back to 1966 for three investors; each started with an initial $10,000 and added $1200 per year. The first highly skilled was able to time the market perfectly for their annual contribution, the second timed their investment that corresponded to the annual high of the S & P and the third just simply put it in at the beginning of the year.

Over a 52 year period despite perfect (imperfect) market timing, the difference between these three investors’ experience is not all that different. The results shake out this way because of the power of compounding returns over a long period. The market is going to do what it is going to do in the short run, what really matters happens from a long-run perspective.

Some parting thoughts: The concept that “time in the market” matters more than “timing into the market” is very much true.

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TFSA Contributions Annual Contribution amounts

2009	$ 5,000
2010	$ 5,000
2011	$ 5,000
2012	$ 5,000
2013	$ 5,500
2014	$ 5,500
2015	$10,000
2016	$ 5,500
2017	$ 5,500
2018	$ 5,500
2019	$ 6,000

Total allowed from inception to end of 2019 $63,500

RSP Contribution Limit

Every year you are entitled to contribute 18% of earned income reported in the previous year up to the annual maximum which is adjusted for inflation. 2020 Annual amount is not available yet.

2019 Annual Maximum	$26,500.00
2018 Annual Maximum	$26,230.00

Always double check your contribution room on your Notice of Assessment from Canada Revenue Agency to avoid penalties for over contributing to your RSP

CONGRATULATIONS

Congratulations to my **Associate Stephanie Frey** and her family as they welcomed their second child on June 24th.

Little Tatum Kinsley arrived early afternoon on June 24th and big brother Sutton is still smiling.

It's not the political sideshows that ultimately drive markets, but rather economic and earnings prospects. We see some caution signs on both fronts.

Equity markets are breathing a sigh of relief as three political developments boosted major indexes worldwide in recent trading sessions:

- The U.S. and China agreed to meet in October in Washington to restart trade negotiations
- The UK House of Commons moved closer to preventing a "no-deal" Brexit, at least for the near term
- Hong Kong's leader formally withdrew the controversial extradition bill

Markets' positive reaction has less to do with politics per se and more to do with the potential impact that public policy decisions can have on economic growth and corporate earnings.

The data is clear that the U.S.-China trade dispute has already constrained global economic growth and has begun to show up in U.S. sectors as well. There is also no doubt to us that Brexit uncertainties have negatively impacted the UK and European economies.

The daily political headlines are eye-catching to be sure, and they can temporarily swing markets in either direction. We think it's prudent for long-term investors to focus primarily on economic and corporate earnings prospects that can be impacted by public policy decisions.

Dents in the economic armor

We view the state of the global economy as fragile and the U.S. economy as relatively firmer but with some weak spots. Growth in Europe and Asia has slumped and some countries in these regions are near recession.

Germany's economy—the world's fourth-largest—is flat on its back. GDP contracted slightly in Q2 q/q and the manufacturing sector has fallen deep into recession territory. The U.S.-China trade dispute has negatively impacted the once-stalwart German industrial sector, but Brexit uncertainties and domestic and EU structural imbalances have taken their toll as well.

Trade issues aside, China's economy is still working through a deleveraging process that has detracted from GDP growth. In the U.S., one of our six recession indicators—the yield curve—began to flash a red recessionary warning sign in mid-August. Just recently, a leading indicator of manufacturing started to blink yellow.

Neither of these signals spells automatic gloom and doom for the U.S. economy, and our other four indicators are still forecasting that the 10-year expansion can persist. Key segments of the U.S. economy such as household spending and services remain healthy. But some of our recession indicators could potentially deteriorate in the months ahead. Taken as a group, rather than individually, they have given us a reliable picture of how the recession probabilities are shifting.

2020 earnings estimates earn attention

Regarding corporate earnings, there is not much risk to 2019 S&P 500 estimates, in our view. RBC Capital Markets forecasts $166 per share, which is slightly above the consensus forecast., RBC's 2019 forecast could come down modestly given this highly cyclical sector tends to be positively correlated with changes in earnings estimates. 2020 earnings estimates have a wider range of outcomes, according to an RBC Capital Markets study. The consensus forecast of $183 per share is too lofty, in our view. This outcome only seems possible if the domestic and global economies rebound meaningfully. We don't see signs that this will occur. We anticipate the 2020 consensus estimate will come down over the next few months, at least, as management teams provide their outlooks for next year. There is anecdotal evidence that many institutional investors expect this.

The other, more realistic scenarios for 2020 are on both sides of RBC's $175 per share forecast, with the lowest scenario coming in at $169 per share. At this level, the S&P 500's price-to-earnings ratio of 17.6x is elevated, but is not sky-high.

Heed the signs

We remain cautiously constructive on global and U.S. equities given economic and earnings growth scenarios are still in view, and we believe the path to new highs remains open for most developed-economy stock markets. We still recommend Market Weight (benchmark) equity exposure.

However, if more U.S. recession indicators start to flash caution signs and/or the 2020 earnings outlook were to deteriorate notably, the risk-reward balance for equities would shift to less favorable terms. This would warrant defensive adjustments to equity portfolios.

RESTAURANT STYLE – ZUPPA TOSCANA

Ingredients:

- 16 ounce packaged smoked sausage
- 2 potatoes cut into ¼ " slices
- ¾ cup chopped onion
- 6 slices bacon
- 1 ½ teaspoon minced garlic
- 2 cups shredded kale
- 2 tablespoons chicken soup base
- 1 quart water
- 1/3 cup heavy whipping cream

Prep 15 mins ◆ **Cook** 50 mins ◆ **Total** 65 mins Serves 4

INSTRUCTIONS

1. Preheat oven to 300 degrees F
2. Bake sausage on sheet pan for 25 minutes or until done, Cut in half lengthwise then angle into ½ " slices.
3. Place onions and bacon slices in large saucepan and cook over medium heat until onions are almost clear. Remove bacon and crumble set aside.
4. Add garlic to onions and cook an additional minute. Add chicken soup base, water and potatoes and simmer for 15 minutes.
5. Add crumbled bacon, sausage, kale, and cream. Simmer 4 minutes and serve...

Natalie's Upcoming Schedule
Victoria: October 21st & 22nd
Terrace / Smithers – November 25th-28th

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