Ferebee Wealth Management

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What a year

The pandemic is not yet resolved. It may well be tidily resolved in the coming months for wealthy nations if vaccines prove particularly effective, but there is also the distinct possibility of additional infection waves if some new virus variants manage to take over and prove resistant to the existing generation of vaccines. The inflation outlook is a further source of risk. Uncertainty remains considerable.

However, there is arguably reason for more optimism than pessimism:

- Governments, businesses and workers have adapted to the pandemic to the point that the latest wave of infections only minimally damaged the economy.
- Whether the infection numbers remain low over the next few months or not, it is very likely that the virus will be in serious retreat no later than this summer.
- Vaccines appear to be a genuine game-changer.
- Monetary and fiscal stimulus is likely to remain powerful, and significant pent-up demand waits to be unleashed.
- A key takeaway from the pandemic experience so far is that the economic rebound has been more forceful than expected at nearly every turn.
- Lastly, we continue to anticipate little economic scarring after the pandemic is over.

As such, it is most likely that 2021 will be a year of strong, above-consensus economic growth, with the recovery then extending into 2022 and beyond. Life should be somewhat more normal in the middle of 2021 than it was at the beginning, and then almost completely normal by the end of the year.

For now I will wait patiently for my vaccine, I hope I am able to travel soon to see my clients, maybe even later this summer.

Here is a fun fact I just recently read:

US$5.4 trillion

That’s how much of an *excess* savings pile consumers around the world have amassed since the pandemic began, according to Moody’s. The stockpile bodes well for a burst of consumer spending once vaccination rates improve.

I have attached a global input piece by our analyst Jim Allworth who has been with our firm for decades, I think it is an interesting read.

2021 Federal Budget

Chrystia Freeland made history with Budget 2021—the first from a female finance minister, the first delivered in a near-empty House of Commons and the first to officially put Canada's debt into the trillionsphere. At a record 739 pages, the budget also laid out a historic spending plan that will cost $475 billion and add $155 billion of red ink to last year's deficit of $354 billion. Some of the money is designed to help Canadians get back on their feet, including $26 billion for wage subsidies and $20 billion of enhanced unemployment benefits. There's tens of billions more for child care, the budget's signature policy; for climate programs to help industry, homeowners and drivers decarbonize; and for cities and communities to build transit and affordable housing. Freeland stayed away from slogans like Build Back Better, but boiled down, her budget is a launch pad for a bolder federal government that by 2025 will spend 62% more than it did in 2015 when Justin Trudeau came to power.

To get there, Freeland faces three big tests. First, she needs to win over at least one opposition party in a minority parliament. That should be easy, as she included something for everyone, including the NDP's demand for a $15 federal minimum wage and the Bloc Quebecois's call for money for seniors. Next, she has to woo the provinces, which are broke and won't be able to co-fund a lot of her vision. That's where "major transfers to other governments"—Ottawa's purpose, in some provinces' eyes—will come in handy; they'll total $87 billion this year and add $10 billion more by mid-decade. Finally, her Liberals want to take this ambition to voters, perhaps this fall, hoping to regain their majority. Freeland believes Ottawa cut spending too quickly after the financial crisis, and calls this challenge "the greatest our country has faced in modern history." How that history unfolds may soon be up to Canadians. – John Stackhouse

Other budget highlights

- an extra $2.5 billion for affordable housing
- A onetime payment of $500 to OAS pensioners 75 and older, 10% Old Age Security raise for seniors 75-plus
- $3 billion to improve long-term care
- extra $5 billion to help large emitters reduce their emissions
- interest-free loans (to $40,000) for energy-efficient home retrofits
- tax cuts and credits for clean-tech companies
- $595 million hiring-subsidy program for small firms
- interest on federal student loans waived until March 2023
- new taxes on foreign-owned vacant homes, yachts, vaping products

Is insurance the missing piece in your wealth-transfer puzzle?

We often worry not only about building and protecting wealth in our lifetime, but also maintaining those assets for future generations.

Many are turning to life insurance as a way to grow and maximize their wealth as part of a broader financial and estate plan, to ensure loved ones and beneficiaries are looked after when they die.

How to use life insurance in estate planning

The primary benefit of life insurance is it can provide income for beneficiaries when a policyholder passes away, whether it's family or a charity, or both.

"If a client wants to transfer a portion of their estate not used in retirement to the next generation — whether that is kids, grandkids or a charitable foundation — insurance is one of the best ways to achieve that," says Duchesne.

The policy death benefit will typically bypass the estate, which means that the monies aren't subject to probate (where provincially applicable) and can go directly to beneficiaries without delay.

Life insurance can also help to preserve the value of an estate by leaving money behind to pay for taxes, fees or other financial obligations. This may help to ensure any non-liquid assets, such as a cottage or business, can be left to beneficiaries fully intact and don't have to be sold. Life insurance policies may be owned personally or held in a corporation or a trust.

The two main types of permanent life insurance regularly used in estate planning are universal life and whole life. Universal life insurance offers investment choices that areself-directed and offer more flexible management to match your investor profile. It's usually suited to individuals who are comfortable managing their own investments. Whole life insurance policies are more suitable for those that wish to have a passive approach to investing, as the funds are managed by the insurance company. It's best suited to those who don't necessarily want to control their investments and prefer more stable, balanced returns.

'Part of a good financial plan'

"While there are a number of good reasons to consider having life insurance in an estate plan, and different options available, many Canadian families across asset classes remain underinsured," says John W. Hamilton, Vice President and National Manager, Insurance Services at RBC Wealth Management Financial Services Inc. He believes insurance is often misunderstood. "In many consumers' minds insurance is a negative word," Hamilton says, because it's connected with unfortunate events such as an accident, natural disaster, fire or death.

"In reality, insurance is just part of a good financial and estate plan," Hamilton says.

It provides financial protection and investment advantages that give investors peace of mind that their estate is being looked after.

"You need a plan," Hamilton says. "You need to incorporate protection items because the plan doesn't always come to fruition the way you dreamed it. Life gets in the way."

With wealth transfer, Hamilton says life insurance is an effective way to protect and share wealth — and to leave a legacy on your own terms.

"It's money you can't take with you and want to share with the people you love or the organizations you love, such as philanthropy and community," Hamilton says. "With wealth transfer, you want it to be efficient and to have some certainty that the money goes where you want it to go and do what you want it to do. That's where insurance can play a key role."

If you want to see how Insurance can work in your estate planning contact us for more information.

Pistachio Crusted Chicken Tenders

Ingredients
1 ½ pound chicken breasts (they work best cut in strips)
¼ cup coconut flour
2 eggs whisked
2/3 cup shelled pistachios
½ cup shredded unsweetened coconut
½ teaspoon ground ginger
Salt and pepper, to taste

Directions

1. Preheat oven to 350 degrees Fahrenheit and line a baking sheet with parchment paper. On top of that, place a cooking drying rack and grease with avocado oil (I like to use a spray bottle).*
2. Add the shelled pistachios to a Vitamix, high powered blender, or food processor. Pulse until nuts are coarsely ground, but still a little texture remains, about 10 seconds or so. Put a little extra seasoning into this mixture by adding a few teaspoons on Montreal Chicken spice.
3. Set up an assembly line. Mix together the ground pistachios, shredded coconut, ginger, and salt and pepper and place on a plate or in a shallow bowl. Have the coconut flour on a separate plate/bowl and the beaten eggs in a shallow bowl.
4. Bread the chicken by rolling it in the coconut flour until fully coated. Then dip it in the egg mixture, fully coating. Last, roll in the pistachio mixture, fully coating. Place on the cookie drying rack and repeat with remaining chicken. Bake for 20-25 minutes until golden brown and cooked through. Serve with honey mustard or sauce of choice.
5. Enjoy!

Jon has mastered these chicken strips and I have to say I enjoy them weekly!

Best ways to contact our team- we are only a phone call away

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Fairway of upside

Most developed-country stock markets moved higher through Q1. A notable exception, the Nasdaq stepped away from the party for a while, gaining almost no ground over three months and at one point retreating 12% from its most recent high. That move lower by the tech-heavy index should have dampened the anxiety level of the many commentators who spent much of the last half of 2020 and into 2021 arguing the whole market was threatened by what appeared to be a nonstop advance of a relative handful of large-cap tech or tech-related stocks.

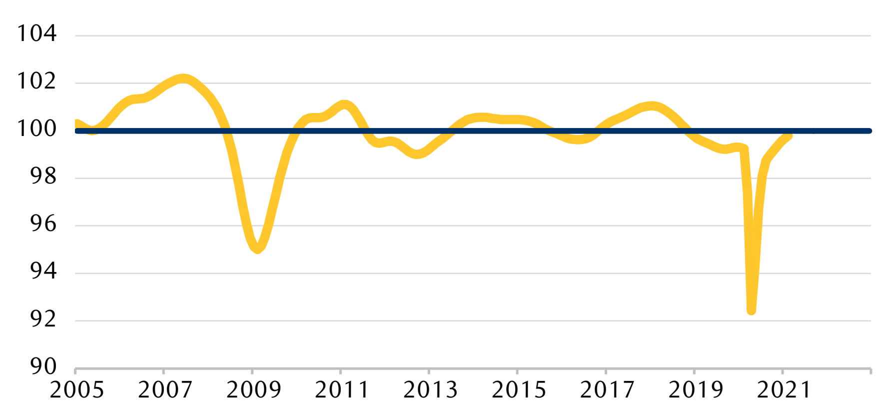
Most of the stocks in question—Amazon, Apple, Microsoft, Facebook, Netflix—gained little to no ground in Q1, consolidating within a range after setting all-time highs back last summer. Comparative newcomers, Tesla and Shopify, corrected mightily (both down about 30% from their peaks) without affecting the rest of the market. Alphabet (Google) was the only one to make an appreciable new high in the quarter.

Valuation is not a reliable timing tool—the perceived over- or undervaluation of a particular group or relative handful of stocks even less so. What *can* change the outlook for the direction of the stock market for the worse is a downturn in the economic cycle: every bear market for equities has been associated with a recession, in particular a U.S. recession.

In our view, no recession is in sight. Recessions have almost always arrived on the heels of a pronounced tightening in credit conditions—i.e., a combination of prohibitively high interest rates and banks becoming unwilling to lend. Such tightening looks to lie a long way down the road, probably years. (See "The steep price of success" on page 11.) That reality won't stop intense discussion about when and how the Fed and other central banks will change course. That in turn may produce bouts of market volatility or corrections. Corrections can be bruising while they last, but what triggers them and what ends them, in our view, remains mostly unknowable, despite rearview mirror judgements that "anyone could have seen that coming." It's instructive to recall that throughout the entirety of the longest uninterrupted bull market in U.S. history from 2009 to 2019, the stock market was constantly being referred to as "expensive" or "dangerously overvalued." Whether such characterizations were valid—we did not think they were—at the end of the day it was a collapsing economy which produced last

It's not just the U.S. global rebound underway

OECD Global Leading Indicator (Jan. 2005 – Feb. 2021)



Source - RBC Wealth Management, Organisation for Economic Co-Operation and Development

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Equity views

Region	Current
Global	+
United States	+
Canada	=
Continental Europe	=
United Kingdom	=
Asia (ex Japan)	+
Japan	=

\+ Overweight; = Market Weight; – Underweight
Source - RBC Wealth Management

year's big retrenchment in share prices, not some intense aversion to "overvaluation."

There are powerful tailwinds moving the economy forward:

- The continuing impact of fiscal stimulus, much of which sits unspent in bank accounts
- The ongoing effort by businesses to replenish severely depleted inventories
- The potential for large infrastructure spending starting in 2022
- The coming reopening of sectors largely shut down by social distancing and travel bans with positive knock-on effects for other sectors, employment, and confidence
- The very strong growth of corporate earnings, which are already rising faster than expected while also driving a capital spending rebound that is likely to improve productivity and help keep inflation in check

In our view, the equity market has a long fairway of upside ahead, with occasional visits to the rough an unavoidable accompaniment.

We recommend a global investment portfolio be moderately Overweight equities.

REGIONAL HIGHLIGHTS

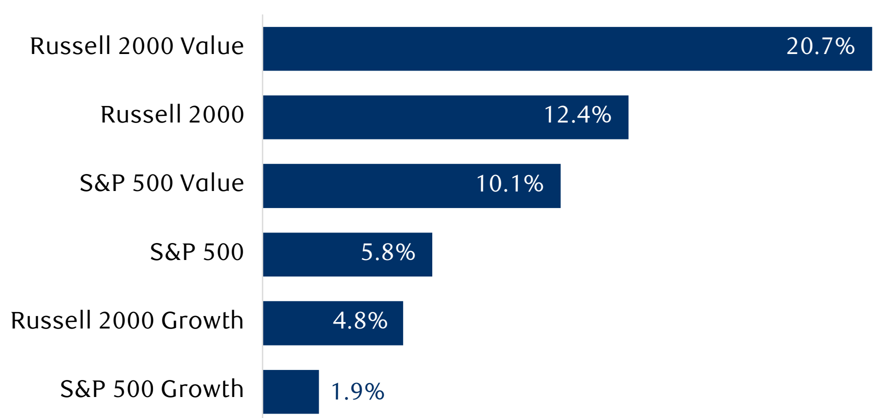
United States

■ The U.S. equity market is interpreting the swift rise in Treasury yields as a positive signal for the domestic economy. The S&P 500 rallied 5.8% during Q1 as the 10-year yield jumped to 1.74% from 0.91%. Among large-cap equities, the value segment outperformed growth. The economically-sensitive small-cap Russell 2000 Index stood out, surging 12.4% during the quarter.

■ Q4 2020 earnings growth significantly exceeded consensus forecasts. We think there is upside to earnings estimates for this year as well. RBC Capital Markets' chief U.S. economist says it wouldn't take much for 2021 Real GDP growth to eclipse the Federal Reserve's 6.2% estimate and even his much loftier 8.0% forecast due to the combination of pent-up demand caused by the COVID-19 shutdowns, unusually high household savings accumulated during the pandemic, and recent signs of improved spending patterns. If the economic reopening is indeed strong, current earnings and revenue

As the economic backdrop firmed, small caps and value stocks outperformed in Q1 while growth lagged

YTD returns by size and style



Source - RBC Wealth Management, FactSet; data through 3/31/21

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estimates could be "far too low," according to our national research correspondent. The consensus estimates for 2021 S&P 500 earnings and revenue growth stand at 25% and 9.6% y/y, respectively, according to Refinitiv I/B/E/S. We think these estimates will rise in the months ahead.

- To take advantage of a potentially strong economic and earnings recovery, we would continue to Overweight value stocks, particularly in cyclical sectors. This article discusses five reasons why value could outperform growth stocks in 2021.

Canada

- Improving vaccine supply has brightened Canada's immunization outlook, which, all else equal, could prove favourable for the cyclically weighted Canadian equity market. An improvement in the perceived durability of the economic recovery could boost sentiment toward key sectors of the domestic market and help shrink its relative valuation discount to some developed-country peers.

- The Big Six Canadian banks reported Q1 results that surpassed analysts' consensus expectations with relative ease as credit loss provisions were lower than expected. The group collectively had amassed CA$24 billion in credit loss provisions during fiscal 2020. Given the improving economic outlook, a small portion of these provisions were released back into earnings in fiscal Q1. RBC Capital Markets anticipates this will continue in coming quarters. Looking ahead, we expect lending activity to come into the spotlight as a return to more normal economic conditions should increase demand for both consumer and commercial loans, while a steepening yield curve could lift lending margins.

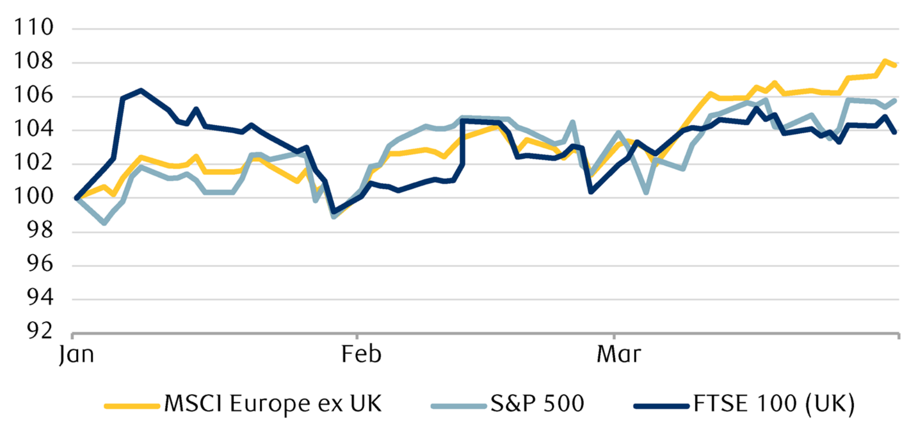
- The fundamental backdrop for crude oil has vastly improved from a year ago amid an ongoing demand recovery, while capital discipline and balance sheet strength by producers have helped moderate the supply outlook. RBC Capital Markets views the fundamental setup for summer gasoline as the most bullish in nearly a decade; this is expected to benefit the entire oil complex, and could further support Canadian energy equities.

Europe & UK

- Lockdowns and social distancing measures are being extended in Europe. Although recent economic indicators were gratifyingly firm, further improvement, particularly in services, will be delayed. The EU's €750 billion rescue package will help underpin growth, but the impact

European stocks hang in with U.S. equities in Q1 despite tighter lockdowns and social distancing measures

Returns YTD, indexed to 100



Source - RBC Wealth Management, FactSet; data through 3/31/21

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may be restrained this year given funds will be disbursed to national governments through 2026.

■ Still, despite a more subdued outlook, European equities have kept up with U.S. equities since the November rotation into reflation-driven stocks began. The region is a rich hunting ground for cyclical stocks, in our view. We continue to favour companies in the Industrials and Consumer Discretionary sectors that are positioned to benefit from both an improving economy and long-term secular trends.

■ In the UK, a very successful vaccine rollout should enable the government to follow through on its plan to open the economy fully by the summer. Recently added support measures should underpin growth. The government's intent on starting to balance the books in two years' time by raising corporate taxes will be an additional burden on the corporate sector, though a more lenient approach to regulation and competition could offset this somewhat. In a post-Brexit world, the government's future attitude towards these issues will be a key factor to watch.

■ For now, the UK equity market still trades at attractive valuation levels in both absolute and relative terms. The Materials and Financials sectors should be key beneficiaries of an economic recovery, while consumer-focused domestic stocks should be underpinned by pent-up demand meeting high levels of household savings. We would maintain exposure to quality UK international companies that trade at an unduly large discount to overseas-listed peers.

Asia-Pacific

■ China established its GDP growth target at above 6% for 2021, and this was perceived to be a moderate target by some economists. Historically, the government's growth target has been conservative and consistent. We think the current goal signals the country aims to emphasize high-quality and sustainable growth going forward. As such, we don't view the target as a disappointment.

■ China equities are facing headwinds from rising U.S. Treasury yields, concerns about tighter onshore liquidity, and some demanding valuations. We expect the market will continue to be volatile in the short term due to uncertainties from rising yields and earnings announcements. We would continue to Overweight China equities. We think the country will benefit over the long term as its capital markets open up and foreign funding allocations increase.

■ In Japan, business surveys suggest sentiment among both manufacturers and non-manufacturers is improving. High-frequency data indicate a strong production recovery and resilient goods consumption. Labor market conditions held steady despite the COVID-19 state of emergency, supported by the recovery in domestic demand and government employment subsidies. Bank deposits are posting very fast year-over-year growth, led notably by household deposits. As expected, the Bank of Japan has largely stayed on hold while slightly upgrading its assessment of the economy. While we still anticipate some softening in Japan's real GDP growth in Q1 2021 due to the state of emergency, we expect a strong bounce in Q2 and onwards. We have a positive bias on Japan equities in the short term; however, we would remain Market Weight for the next 3–12 months.