RBC Wealth Management
Dominion Securities

Suite 3200 Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 3P3

Telephone: (604) 257-7380
Fax: (604) 257-7389

www.philipflostrand.com

Philip Flostrand
B.A. (Econ.), CIM
philip.flostrand@rbc.com

INSIGHTS & OBSERVATIONS

YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS **January 2017**

Welcome back. Where to begin? For many reasons, it feels to me as if 2017 will be the most interesting year since 2009.

Most recently political surprises have been the biggest factor behind a growing sense of changing times. With two major European elections this year, we should expect this influence to prevail throughout 2017.

As a consequence of the US election investors are now anticipating many shifts to policy, interest rates, regulation, and 'friendliness' toward business. It is the combination of all these expectations which explains the stock market's optimistic reaction to the election outcome.

For example the US conducts a monthly survey of business owners, questioning them about their hiring, outlook, roadblocks and expectations. During the month of November the survey's 'business confidence index' jumped the most in 7 ½ years. Now that is a significant mood swing!

Determining whether this newfound hope is validated is going to take time, and we will of course see stumbles and normal dips in the weeks and months ahead. Nevertheless businesses from the smallest to the largest are feeling more confident in the states, and that is a welcome change.

Much closer to home we also face a provincial election, and although these races usually have a very limited impact on the investment work we do for you, this one could certainly impact our taxes and perhaps the value of local real estate. This last issue figures to become a focus of the campaign, and it tends to split voters by age and whether they rent or own.

Meanwhile back at the stock market, we in Canada enjoyed the best 2016 return among all developed country markets, as commodity stocks rebounded after a very tough 2015, and our banks yet again beat the pessimists expectations. Long term the Canadian bank group has been an amazing investment category and one which has enriched us all. As a wise client with large bank holdings has said to me a few times: "Philip, if I'd just put all my investments into the banks over these many years I'd have outperformed everything!": With 20 year average annual gains nearing 15% for our favorite banks, I simply smile and nod.

You'll notice I am making no specific predictions about the year just underway. This is the result of having three and half decades experience as an investor, and the knowledge that annual forecasts should be primarily made and read solely for their entertainment value.

We wish you all a very happy and healthy New Year, and we look forward to our meetings and conversations with you as we traverse these most interesting times. Take care.

Philip

January's Articles

There are many personality traits which have a major impact on all our decisions, and for investors an awareness of this fact is an important first step. Knowing yourself is one benefit of becoming older, and this learning should improve our lives in a variety of life's many arenas.

Unfortunately a surprising number of us do not seem to acquire this skill, and end up falling into the same trap repeatedly, whether in relationships, with family, or with our finances. This bleak pattern is likely the source of the old expression; "The only thing we learn from history is that we fail to learn from history."

In the article linked below we get a close look at one of the biggest potential impediments to life success, which also tends to affect men more than women, the Ego. This attribute has both good and bad sides, and throughout history it is one of the single largest influences on most of our progress and our many downfalls. World improving inventions, wars, business empires and collapses, the ego features consistently across time.

As you will read, having even a basic self-knowledge can be a big advantage in life, helping one to steer around classic mistakes and their consequences.

http://awealthofcommonsense.com/2016/12/ponzi-schemes-ego/

Byron Wein has become well known in the investment business for his annual Surprises List, which we have featured here in prior editions. He was also responsible for the "Smartest Man in Europe" interviews, which we referenced as well. Sadly the 'smartest man' passed away last year so these articles are now concluded. However as a successful and very experienced investor, Wein clearly enjoys sharing his learning though interviews and in print.

The essay linked below is a compilation of lessons from his stellar career, expanded far beyond the world of investing. Wein has met many extremely interesting and successful people over the decades, and along with his own wisdom he provides a terrific source of life choices to consider.

This essay evolved as Wein was increasingly asked for his more general thoughts about success in dealing with people, keeping yourself on track, and other traits he has picked up over the years. I found it worthwhile and hope you do as well.

http://ritholtz.com/2013/07/byron-wiens-20-rules-of-investing-life/

WHAT THEY SAID

"A business absolutely devoted to service will have only one worry about profits. They will be embarrassingly large."

Henry Ford

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