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INSIGHTS & OBSERVATIONS

YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS

November 2023

Welcome back. As often happens the Fall includes nervous stock markets, and we certainly are experiencing a number of worries today. Higher interest rates, political errors, wars and post-pandemic distortions are all on the worry list for investors as 2023 draws to its close.

From many editions of the newsletter you'll know rising interest rates are the biggest source of stress on the stock market and economy. Central bankers and the politicians behind them have made two historic errors this century (so far) which will haunt us for years.

First they suppressed interest rates especially after the Great Financial Crisis of 2008-9, then held them too low for years beyond what was sensible. Next during COVID and the wildly excessive spending response of most governments, inflation finally revived forcing central banks to reverse their 'inflation is transitory' position. They panicked and raised interest rates too quickly, leading to other problems which are unlikely to be concluded anytime soon.

Predicting the future is very difficult and we don't envy the central bank its role, we simply wish it was less involved in the economy and more forthright about the many limits of its abilities.

Back to markets. Investors have pushed quality stocks down to levels last seen two and three years ago, and with interest rates higher, the dividends on many of these companies are 4-6% today. The mood is so-so and investor expectations are much lower than seen in 2021. These facts are often the kindling needed to ignite market turnarounds. The spark may be interest rates.

After 18 months of rapidly rising rates inflation has been falling and the economy, while not at recession levels, is slowing as desired. Should markets and investors come to believe we have done enough and rates won't be raised further, we are likely to see a stock market rally. Adding to this case is market seasonality, where the simple average of all month's return over a century shows the 'best' months for investors are November through April, the period just in front of us now.

The unknowns will always be with us, but we have begun buying in recent weeks and would become much more active with this process should we see any further dips in the weeks ahead.

Have a fine month and take care.

Philip



November's Articles

We have included the wisdom of Byron Wien in several newsletters over the years and I always admired his pragmatic and thoughtful commentary. Last month he passed away at age 90 after a wonderful career and contribution to both our industry and the world.

Best known for his annual forecast of potential surprises list, Wien's research and thinking prompted many to consider topics and outcomes which were not mainstream or widely followed. For investors this homework can be very useful despite – or because – it's not done frequently enough.

Each January he published his '10 surprises' list which were well researched and widely read on Wall Street. Each one had an estimated 50% chance of occurring according to Wien, while average investors assigned only a 33% chance to them. This difference was enough for him to suggest more attention should be paid to each item, and he considered his list successful if he got more than six surprises correct.

In the article linked below by **Barry Ritholtz**, a New York based investment manager, we find Wien's less known '**20 Rules of Investing and Life**'.

I will miss seeing his latest surprise list next January, and hope you enjoy this final contribution from a very accomplished thoughtful person.

<https://ritholtz.com/2013/07/byron-wiens-20-rules-of-investing-life/>

WHAT THEY SAID

"No one is actually dead until the ripples they cause in the world die away."

Terry Pratchett

Politics is clearly not improving. We are living at what seems to be the end of a long unusually peaceful era which brought prosperity to record numbers of people and regions. Longevity, health, poverty, education and human rights have all improved sharply over the past many decades, and we certainly hope this continues.

However, a saying I read a few years ago appears even more accurate lately. I don't know the source, but here is what seems to roughly sum up much of world history into one very long and repeated cycle:

"Hard times create hard men, hard men create good times, good times create weak men, and weak men create hard times."

Looking around the world at our recent and current 'leaders' from all political parties, and at many business people and public figures, it feels like we are unfortunately in the 'weak men' stage.

In the West we seem to be suffering increasing problems of our own creation, which history shows to be normal and even something to expect particularly after a long stretch of good times.

In the article below by **George Friedman**, founder of Geopolitical Futures, we hear from an expert with a very insightful look at where political ineptitude is likely to take us all.

These cycles are part of our human nature and should be something everyone gains at least a basic grasp of to conduct their own lives as successfully as possible. As you'll read below, our problems are not new ones, and gaining an understanding of history's context can be extremely useful in these times.

<https://geopoliticalfutures.com/the-world-begins-to-reorder-itself/>