



Archer Wealth Management

Newsletter



Welcome to our regular newsletter, where we will try to keep you informed with Financial Planning, Estate Planning, Investment Management News, Tax Saving Strategies and various other ideas or photographs that you might like. We welcome your feedback.

Market News

Addressing Market Volatility

This week was marked by an early dose of optimism. More specifically, a promising update on a potential coronavirus vaccine and more progress on the easing of restrictions and reopening of economies. Offsetting this to some degree was the ongoing struggle to slow the spread of the virus globally, particularly in the emerging markets. Unfortunately, the week is ending on a sour note on renewed tension between China and Hong Kong, which may have global ramifications. In the week ahead, the spotlight turns to the Canadian banks who are expected to report results. We provide our thoughts below.



Coronavirus update

At a high level, the trends of the past few weeks have remained in place. Europe continues to broadly improve. As a result, countries in the region are gradually loosening an increasing number of restrictions and reopening more parts of their economies. In Canada, a similar story continues to unfold though new daily cases in Ontario and Quebec simply refuse to meaningfully decelerate. Nevertheless, both have moved forward with their reopening plans. In the U.S., the story remains as mixed as it has been of late, with new daily virus cases that have not changed much. To be clear, in some states, the levels have meaningfully improved but in others, they have risen, essentially offsetting one another. Encouragingly,

despite the loosening of restrictions and gradual reopening across Asia, Europe, Canada, and the United States, there have not been signs yet of any acceleration in case counts.

The epicenter of the health crisis is now in the emerging markets where new daily case counts are elevated and some countries are seeing an acceleration. Russia and Brazil now have the unfortunate label of being the second and third countries with the highest number of infections globally. It is hard to anticipate a change in this trend, particularly in Brazil where the approach to containment appears disorderly.

Vaccine hope

We recently highlighted the remote possibility for a vaccine to emerge over time given the unprecedented global efforts by the scientific community. We did not expect an update to come so soon. Earlier this week, a U.S. company provided encouraging results from a Phase I trial. In a nutshell, the vaccine showed the potential to induce the immune system to produce antibodies that could help protect people in a safe and tolerable way. The results spurred an impressive and understandable rally in markets as they priced in an increase in the odds of a best case scenario – immunity from the virus. But, as with most early stage clinical development, there are some important caveats to consider. These include the small sample size of 45 individuals, the lack of disclosure and data for analysis, and the durability of the antibodies among other things. While it remains very early and much more work is left to be done, it was an encouraging update. This is one of nearly 10 human trials and more than 100 pre-clinical trials (stage of research that does not include humans beings) underway globally.

Spotlight on the Canadian banks

The Canadian banks are set to report second quarter results over the next week. This is a particularly important update. First, the banks tend to be a good gage of the health of our overall economy. The results for the period of February through April, and management commentary on the outlook, will offer clues about the extent and trajectory of economic damage in this country. Secondly, the banks represent a meaningful portion of most Canadian investor portfolios. If the U.S. banks, who reported their own results weeks ago, are any indication, the results are not likely to be very good. But, that may already be expected by the market to some degree. Bank stocks trade at valuations that were last seen during the great financial crisis of more than a decade ago. This signals to us that investors already expect the companies to face higher risks in the form of future loan defaults and customer bankruptcies. While these loan issues may not arise immediately, the banks have to effectively budget for them in advance and it is widely expected they will begin to do so with the release of their results. We take some comfort in the strong capital positions they have accumulated in recent years that can help provide some cushion against the credit losses that may come. While earnings may be volatile and balance sheets will be tested, we believe the banks will continue to offer sustainable dividend income for investors.

There has been enough to worry about in recent months. We view China's announcement of new national laws being imposed on Hong Kong as being yet another potential source of stress in the relationship between China and the U.S. It is a risk we will continue to watch closely.

Should you have any questions or concerns, please feel free to reach out to us.

Estate planning tip:

Be careful as to where your executor lives



By appointing a non-resident of Canada as the sole executor/liquidator of your estate, the Canada Revenue Agency (CRA) may consider your estate to be a non-resident of Canada. This could potentially trigger some negative tax consequences, regardless of how capable and willing the proposed executor/liquidator may be. The attached article will discuss some of those negative tax consequences as well as some other challenges a non-resident executor/ liquidator may face.

This article outlines several strategies, not all of which will apply to your particular circumstances.

The information is not intended to provide legal or tax advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax and/or legal advisor before acting on any of the information in this article.

If you fall into this scenario and are in need of local representation, our colleagues at RBC Royal Trust can assist and we would be pleased to make an introduction on your behalf.

Contact John or Mauricio for further details.

The Path Forward



Photo by John Archer

These days it is important to go out for a walk from time to time, and this photo was taken during a “nature walk” with a friend of mine, along the shores of the Saint Lawrence river near Verdun Beach. Not many

people are aware that Verdun has a beach as this is a recent addition to the Verdun landscape. It is a small man-made beach (the size of a postage stamp) but nearby is a path which is home to many chirping birds and greenery.

Cooking from home with Mauricio

Sweet Plantains

John and I were thinking about giving you a practical cooking idea to prepare during the quarantine, but at the same time we wanted to share a little bit about my roots. So I called my grandmother –from whom I inherited my passion for cooking- and she gave me the recipe that I am sharing with you today.

She was born in Brazil, where she met my Venezuelan grandfather who was studying engineering in Rio de Janeiro. After his graduation they got married and moved to Venezuela where she lived for 40 years until the crisis started. Nowadays she lives in Brazil, in a small but beautiful apartment a block away from the famous Ipanema beach.

The main character of this dish is Plantain or *Plátano*, in Spanish. Some might think it is an exotic fruit, but others who have been in contact with the Latin culture might be more familiar with it. Plantains can be found in the big supermarket chains or in the Asian or Latin grocery shops, usually close to the bananas. Since they are very versatile, this dish can be eaten as a dessert or as a small dinner.

After cooking I took some pictures and below you will find one of them.

Ingredients:

- 1 ripe plantain cut in half
- 3 tablespoons of sugar
- 2 sticks of cinnamon
- 5 cloves
- 50 grams of butter
- A cup of water

Preparation:

Step 1: heat the butter in a frying pan at medium temperature and then add the plantains and fry until the edges become darker.

Step 2: set the temperature to low and proceed to add the sugar, cinnamon, cloves and water. Cover the pan and let it cook for 20 minutes or until the caramel becomes dark, flipping over the plantains every now and then. Be prepared to add more water if they dry out too quickly

Step 3: Serve alone or with grated white cheese on top such as Feta or Haloumi.

If you decide to try this recipe at home, please let us know how do you like it!

Mauricio



John Archer

Portfolio Manager & Wealth Advisor
john.archer@rbc.com
Phone: 514-878-5040
Fax: 514-878-5070
LinkedIn

Mauricio Bonaguro

Administrative Assistant
mauricio.bonaguro@rbc.com
Phone: 514-878-7527
Fax: 514-878-5070
LinkedIn

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