

April 2022 Financial Planning Email Update

My mom always said, “There will always be something.” Well today we have a few “somethings” that are causing significant volatility in investment markets. Due to the pandemic over the last two years, we have been recovering from a locked-down economy and for the past few months we have been mentioning the advent of rising inflation and the planned actions by the central banks to curb inflation by increasing interest rates and tightening money supply.

Most recently, we have all been shocked to witness the Russian invasion of its neighbouring country, Ukraine. This action alone is possibly the largest security threat since WWII. To deter and to try to stop Russia from executing its military plans, the international community has issued many sanctions. These actions are a balancing act designed to punish Russia without affecting global markets.

These sanctions include disconnecting Russian banks from the Society for World Interbank Financial Telecommunication (SWIFT) and reducing access to foreign exchange reserves. This makes it very difficult for Russian companies to continue doing business. Russia is the world’s largest natural gas exporter and the second largest oil producing nation. Russia supplies Europe with 40% of its natural gas, 24% of its oil, and is a major source of wheat, palladium, and ammonia, globally. That, along with Ukraine also being a major source of wheat and corn, creates shortages and supply-chain disruptions in resources and food. Although this primarily affects Europe, it also has implications for continued inflationary pressure and the potential of reduced economic growth on a global scale.

All major oil companies have now divested in Russian oil assets, implying reduced future investment. The expectation is that the oil market will remain in short supply for months to come, resulting in higher oil prices. This is however of benefit to Canada.

History has shown that while markets tend to be volatile around geopolitical/military events, the picture becomes much more encouraging 12 months following these types of events. For example, following the major military events dating back to 1939, the S&P 500 Index was higher approximately 73% of the time 12 months after the event, with a median return of 9.7% with performance on average negative 1.5% during the 3 months prior to the event. See the “S&P 500 Price Changes During Geopolitical (Military) Events Since 1939” attachment for more details.

The attached chart entitled “Staying the Course in a Bear Market” demonstrates that investing over the long-term (in this example, 30 years) was very positive, overcoming many negative bear market periods.

The attached chart, “What Are My Options When the Market is Down?” clearly indicates the wisdom of either staying the course or adding to your investments.

The attached chart “The Bulls Outweigh the Bears” shows that since 1955 markets have generally been rising, gaining significantly more than they have declined.

In the attached chart entitled “Emotional Investing” statistics reveal that markets rise on average 33% in the one-year period following a crisis.

Please take a few minutes to review all the attachments as many great insights into the benefits of maintaining a long-term investment focus can be found.

In monitoring the various “somethings”, our professional money managers have reported a focus on investment opportunities in high-quality, attractively valued businesses which all help to weather the current storm of volatility and create strong potential for long-term wealth creation, as has been achieved in previous market cycles.

Further witness to the wisdom of all successful, patient investors that refer to investing over the long-term as ‘climbing a wall of worry’.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning.

I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling us at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,
Gary



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