October 2020 Financial Planning Email Update

It has now been more than six months since the World Health Organization declared the global COVID-19 pandemic, upending our home and working lives. As the initial wave of infections subsided and the spread of the virus stabilized through the summer months in most parts of Canada, we adapted to the “new normal.” Heading into the fall, infection rates in some provinces are rising again, raising the possibility of further restrictions to limit the spread of the virus. Amidst the ongoing uncertainty, I hope that you and your family are keeping well.

Capital markets in the third quarter

Recovering from the pandemic-related downdraft of the first quarter, financial markets enjoyed a period of relative calm and optimism through of the summer of 2020. Equity prices in many markets continued to improve, with some sectors moving sharply higher as lockdown restrictions eased and economic activity gradually resumed. Toward the end of the third quarter, however, investor concerns resurfaced. Markets were rattled by growth in the numbers of COVID-19 infections, uncertainty related to the upcoming U.S. presidential election and the expected economic stress of reductions in government supports for businesses and individuals.

Most global equity markets started the quarter positively, led largely by investor optimism for sectors expected to benefit from current conditions, such as technology and health care. The S&P 500 Index, a broad representation of the U.S. equity market, reached an all-time high in early September before volatility resurfaced as the quarter drew to a close. The U.S. index finished the three-month period up 6.6% for the quarter and 8.4% for the year-to-date in Canadian dollar terms. The MSCI World Index, which reflects returns for developed equity markets around the globe, followed a similar path, and was up 5.7% for the quarter and 4.9% for the year-to-date.

In Canada, the S&P/TSX Composite Index also trended higher through much of the summer, buoyed by sectors such as materials (precious metals), industrials (transportation companies) and consumer staples. Despite continued weakness in the energy sector and broader market volatility later in the quarter, the Canadian benchmark finished three-month period with a gain of 4.7% but remained down 3.1% for the year-to-date.

Central banks around the world continued to gauge the ongoing economic impact of the pandemic in setting monetary policy. The U.S. Federal Reserve, for example, noted that the U.S. economy had picked up considerably, but much depends on the confidence of consumers to spend. The central bank indicated that it would allow inflation to exceed 2% as the economy recovers and that its target interest rate would be left unchanged at 0-0.25% for "an extended period." The Bank of Canada also kept its benchmark interest rate steady during the third quarter at 0.25% and said it would continue its large-scale government bond purchase program designed to promote liquidity in the financial system. The decline in interest rates has supported bond prices over the past several quarters, resulting in the FTSE Canada Universe Bond Index, a broad measure of Canadian government and corporate bonds, to return 0.4% for the quarter and 8% for the year-to-date.

What can we expect now?

So far, 2020 has reminded us of several important lessons, one of which is that timing the market is nearly impossible. Many people would have sold their investments shortly after the U.S. market declined nearly 34% in March, believing that a recovery would be a long way off. But from its lowest point on March 23, the S&P 500 took just 140 days to recover – the fastest rebound on record. Those who stayed invested would likely have been rewarded for their patience, while those who sold would have locked in losses.

Looking ahead, the COVID-19 pandemic is far from over and will likely have an impact on investment markets for months to come. Governments and central banks continue to provide support for the economy through accommodative fiscal and monetary policies, but the economic outlook remains cloudy, particularly if further restrictions to limit the spread of the virus become necessary. For this reason alone, keeping a long-term view will be especially important.

If you would like to review any previous monthly Financial Planning email updates or view our previous quarterly webinars please find them on our website www.ghafinancial.com under the tabs "Monthly Updates" and Quarterly Webinars".

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 email or call Amanda or I at 519-894-2661 or toll free 1-800-716-5538. Have a great day.

Respectfully Yours, Gary

Gary H. Attack, BBA,CFP®,RFP,RRC® | CERTIFIED FINANCIAL PLANNER® professional

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