

October is often categorized as one of the most negative months of the year for the investment markets. After all October is when the crash of October 29, 1929 known as Black Tuesday and the crash of October 19, 1987 known as Black Monday occurred. There was also a Black Thursday on October 24, 1929. Well you see what I mean. In September we had a correction from all time highs. Will October be a continuation thereby living up to its negative image?

We sought the thoughts of Invesco Ltd. Global Market Strategist Kristina Hooper who had four reasons why we should be positive about the stock market right now.

**Progress in the fight against COVID-19.** COVID-19 cases have fallen more than 30% since late August, while new daily cases in the U.S. have fallen 35% since September 1<sup>st</sup>. Merck just announced that studies have shown molnupiravir, its experimental COVID-19 therapy, reduced hospitalizations and deaths by approximately 50%. This is very positive news, especially given the difficulty many countries have faced in fully vaccinating their populations. What makes the development of this therapy important is that other treatments for COVID-19 come in IV form or through injection, so it's far more difficult to distribute them quickly and broadly (one must go to a hospital or medical clinic). This pill is being likened to Tamiflu, which has been very effective in lessening the impact of influenza.

**Attractive valuations.** While still not modest, valuations are more attractive than they were just a few weeks ago thanks to the sell-off. It feels as though much of the bad news is priced in, but arguably not all the good news.

**Robust capital market activity.** Global mergers and acquisitions (M&A) activity is up significantly. In fact, global M&A activity for the first nine months of 2021 exceeded \$4.3 trillion, which is already more than the largest year of M&A activity on record. Initial public offering activity in the U.S. is also significantly higher. This suggests business confidence and a lack of risk aversion.

**Very accommodative monetary policy.** The U.S. Federal Reserve (Fed) remains quite dovish, resisting announcing the start of tapering of Quantitative Easing in September. And even when it begins tapering, which will likely occur later this fall, the monetary policy environment should be extremely accommodative as the Fed has massive assets on its balance sheet. In fact, many major developed market central banks have bloated balance sheets — and that is not going to change any time soon. This should provide an environment that is supportive of risk assets. In addition, and importantly, Fed Chair Jay Powell has decoupled rate hikes from tapering, setting a higher bar for the former.

This doesn't mean we won't see sell-offs in October, but Kristina still believes that stocks will finish the year higher than where they are now. But whether or not this month proves to be difficult for stocks, Kristina feels strongly about the importance of staying invested in the stock market — and, for those with cash on the sidelines, looking for buying opportunities if there are sell-offs.

Amanda and I also had the opportunity to attend a virtual meeting on September 29, 2021 with Oscar Belaiche, the lead portfolio manager of the highly recommended Dynamic Equity Income Fund who shared his successful investment strategy. Oscar

started the Dynamic Equity Income Fund in 2004 on his own. Today he has developed a very co-operative and collaborative culture of 24 portfolio managers and analysts. Their independent thinking using a quality at a reasonable price “QUARP” approach emphasizes only investing in business’s that have best in class management teams, are dominant in their industry and have a history of increasing cash flows and strong balance sheets with minimum debt. As a result the companies in this portfolio have much less fluctuation in value and are able to maintain their price better when investment and stock markets are volatile. This is known as a portfolio that is anti fragile. The opposite of this would be companies that are frothy. That is to say they are very over priced when the markets are high and as a result when the markets decline the froth comes off which is to say the price declines more rapidly to a level of fair value and will correct the most. The companies that are anti fragile, have pricing power to offset increasing costs and have strong balance sheets to offset rising interest rates are the companies that Oscar is buying as an antidote to future inflation. The main outcomes of an anti fragile built portfolio are protection of capital and lower volatility. The anti fragile portfolio will be able to “make hay while the sun is shining”, obtain less upside gains when the market is rising and less downside losses when the market is declining.

Over a decade ago, a landmark ten-year study by the MacArthur Foundation shattered the stereotypes of aging as a process of slow, genetically determined decline. Researchers found that that 70 percent of physical aging, and about 50 percent of mental aging, is determined by lifestyle, the choices we make every day. That means that if we optimize our lifestyles, we can live longer and “die shorter”—compress the decline period into the very end of a fulfilling, active old age.

Dr. Roger Landry and his colleagues have spent years bringing the MacArthur Study’s findings to life with a program called Masterpiece Living. In *Live Long, Die Short*, which I read recently Landry shares the incredible story of that program and lays out a path for anyone, at any point in life, who wants to achieve authentic health and empower themselves to age in a better way.

The result is a guide that will reshape your conception of what it means to grow old and equip you with the tools you need to lead a long, healthy, happy life. The Top 10 lifestyle tips for successful aging are Use it or lose it, keep moving, challenge your brain, stay connected, lower your risks, never “act your age”, wherever you are...be there, find your purpose, have children in your life and laugh to a better life.

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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