

September 2020 Financial Planning Email Update

As we move forward into the fall season of 2020, we can now say that we have witnessed a spectacular comeback, in both financial and real estate markets from the low point of March, 2020. This is primarily based on the ongoing announcements of several promising COVID-19 vaccines, some of which are now in their third trial.

In connecting with David Arpin and Dina DeGeer, both Senior Vice Presidents and Co-lead Portfolio Managers of the highly recommended Mackenzie Canadian Growth Balanced Fund their analysis indicates that one of the primary reasons for the increased fair value for investments is the sudden additional decrease in interest rates of approximately 2% with the advent of the pandemic. David suggests that a 1% decrease in interest rates yields a 20% gain in fair value of stocks. We can therefore ascertain that this decline in interest rates has contributed to 40% of the recent gain in the stock market. Concerns still exist of course. The economic recovery is still weak with the gross domestic product (GDP) of Canada down 10% from this time last year. There are as we all know business that may not come back at all or not for some time in the travel, entertainment and restaurant industries.

My earlier concern of increased government deficits was alleviated slightly as David felt that this would be largely self correcting as employment increases, government revenues will increase. In general, any business that is going to open is now open. Dina felt that the Canadian re-opening of the economy was relatively successful. The current unemployment rate is 11%. Currently 55% of unemployed are back to work. The remaining 45% that are not working will re-enter the work force gradually with many of these jobs permanently lost. It was noted that low income earners were by far the hardest hit. In Dina's opinion, Canada provided the best government fiscal support programs in the world. Dina did note the clear shift of discretionary spending towards stay-cation spending on health and wellness, home improvements, RV's and away from travel, entertainment and restaurant spending.

Energy giant BP recently stated in their annual report that fossil fuel has now surpassed peak demand and will be in steady decline for the next 30 years. Total energy demand will continue to rise as renewable sources eclipse fossil fuels. For example, global demand for oil will shrink as people move to buying electric vehicles. David and Dina have not invested in any fossil fuel companies since 2016.

The Canadian Mortgage and Housing Corporation (CMHC) released a report recently suggesting a risk of rising mortgage default for the remainder of 2020 as mortgage payment deferral programs reach the end of their 6 month limit. Currently more than 1 billion dollars in mortgage payments are being deferred each month to assist those impacted by the pandemic. The report goes on to explain that the average monthly payment deferral is \$1,300 and that over 760,000 payments are deferred across all chartered bank customers each month. These payments will become payable. It was noted that a mortgage foreclosure where the bank re-possesses the home can take place as soon as 90 days or more of missed required mortgage payments. This could possibly impact the total value of real estate in the coming months.

Putnam Investments in the United States recently identified the top 10 investment growth themes.

1. 5G connecting and the internet of things. 5th generation wireless technology will increase speed, connectivity and the number of devices that can be used together.
2. Digital marketing which has accelerated during the pandemic.
3. Humanitarian of pets. We have become even closer to our pets during the pandemic.
4. Viral Effects. Diagnostic testing for all types of viruses will become prevalent. We will build out a more robust pandemic infrastructure.
5. Amazon's influence on retailing.
6. The Digital Media and Entertainment.
7. E-Commerce and payment processing.
8. Personalized medicine.
9. Cloud computing
10. Autonomous and Electric Vehicles.

Please click on the following link to read a blog by Portfolio Manager Kristin Hooper entitled:

[Three reasons why this isn't another 'tech bubble'](#)

which I felt would be of great interest.

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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203-1601 River Road East, Kitchener, Ontario N2A 3Y4 T 519-894-2661 or 1-800-716-5538 F 519-894-6656 gary.attack@holliswealth.com or gary@ghafinancial.com www.ghafinancial.com | www.holliswealth.com

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