TD Wealth

October 2018

Market Update

October 2018 Was Painful

October 2018 was painful and trying. Similar to last February, the markets fell and fell quickly.

And with the expectation of increasing interest rates, bonds too saw their prices fall during the month. There was nowhere to hide.

However we do not believe this is the beginning of a bear market but rather one of many corrections within a longer term upward movement. The markets got ahead of themselves and are now correcting.

We are here to help. Together we will (again) get through this, focusing on the long-term and our plan, which focuses on the following.

Our financial plans expect such "corrections" (kind word for markets falling) and expect them on a regular basis. History has provided a 10% correction at least once a year, a 20% fall every 3-4 years and a 40% fall every 50 years. Our model, being conservative, expects that such events might occur even more often. As such our plans should remain on track.

As an investor, you can't avoid market corrections. But how you choose to react to market declines can help determine the long-term performance of your portfolio. You can't expect to make the perfect decision every single time. But making it most of the time and avoiding the worst decision should help. The plan we have set up for you help provides a disciplined approach on how to react when shifts in the market have occurred.

It isn't wise to play the "timing" game. Remember it's time in the market – not timing - that's truly important. While sitting on the sidelines, waiting for just the right time to invest, some of the market's best performance could slip by. Historically, most of the biggest stock market gains occurred during very brief periods that are impossible to predict. That's why it's important to stay invested.

What we have seen is a tremendous amount of cross the board selling. At these times fundamentals are not a consideration. Rather, the focus is on "liquidity" – finding something that can be sold quickly and easily. As such the index funds that have been the rage of late are seeing a lot of selling. This can be seen as many index funds sell their underlying holdings in the last hour of trading and we have

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seen tremendous activity over the past weeks during that last hour.

However, in the end, fundamentals should once again prove their worth. And we own fundamentally strong investments.

While it can be difficult at the time, history has proven time and time again that investors who are willing to wait out short-term volatility have been rewarded over the long term.

Earnings are solid, companies are doing well, interest rates are still relatively low, dividends are higher, new share buybacks are being announced and there are almost no signs of a recession.

As always, one must remain diligent and cautious. The markets have a way of punishing greed just when one thinks it is safe. Looking forward, we remain optimistic for the long and medium term but cautious for the short. Our focus remains, as it must, on the long-term. Our long-term plans and the reasons for investing as we do, remain the same.

Portfolio Update:

For the month, the bond market was down 0.6%, the Preferred market was down 2.8%, the Canadian market was down 6.3%, the US market was down 6.9%, International markets were down 6.5%, the Emerging markets were down 7.3%, the Real Estate market was down 2.7% and Global Small Cap was down 10%. (Reuters).

For the year, the bond market was down 1.1%, the Preferred market was down 0.9%, the Canadian market was down 5.0%, the US market was up 1.5%, International markets were down 4.9%, the Emerging markets were down 12.5%, the Real Estate market was down 2.7% and Global Small Cap was down 4%. (Reuters).

Have a great month and let us know if there is anything we can do for you,

Meir

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