TD Wealth

November 2018

Market Update

Important Topic: Global Tipping Point

As of September half the world is now middle class or wealthier (Brookings Institution, Sept 2018). This is of enormous global significance. For the first time in the history of this planet the majority of humankind is no longer poor or vulnerable to falling into poverty.

3.8 billion people, just over 50% of the world's population, live in households with enough discretionary expenditure to be considered 'middle class' or 'rich'.

This global tipping point is a significant milestone. Barring some unfortunate global economic setback, this marks a new era of middle class majority. This bodes well for the future, as the middle class is the backbone of future success.

The press prefers to focus on the disparity between the poor and ultra-rich. I would argue that this is far less important than the standard of living of the poor.

If the poor have increased their standing and a majority of them have left poverty and become middle class then we should celebrate the systems and policies that have made this possible. If the price we have to pay to have tens of millions significantly better off is a few hundred amassing a disproportionate fortune, perhaps we should pay such a price? It is possible that the systems and policies that created the former could only do so by allowing the latter.

Whatever the case may be this is reason to celebrate and look toward the future with optimism.

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Market Update: November Saw Some Recovery

While November saw gains in most asset categories (preferred shares and Canadian small cap being the exceptions), these gains were modest in comparison to the losses suffered in October 2018. As a result the year-to-date returns remain negative across almost every asset category (US tech being the exception).

As we do not believe this is the beginning of a recession or a bear market we continue to invest – cautiously and carefully, as we do at all times.

Earnings remain are solid, companies are doing well, interest rates are still relatively low, dividends are higher and new share buybacks are being announced.

The difference in the market over the past few months has been sentiment. Previously, when sentiment was positive, good news and even bad news triggered markets to move upwards. Now that market sentiment is negative, bad news and even good news triggers market volatility and downward movement. Sentiment is however impossible to predict and can turn 180 degrees in a single day. Trying to trade around it, or with it, is fraught with difficulties and losses.

Instead we remain focused on the fundamentals. We view good news positively and supportive of future higher prices. We view bad news negatively and cause for concern. Markets do not share our view in the short term but always does in the long term. And we are here for the long-term

As always, one must remain diligent and cautious. 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. Each specific investment is reviewed to ensure that the reward for risk-taken is tilted clearly in our favour.

For the month the bond market was up 1.0%, the Preferred market was down 6.5%, the Canadian market was up 1.8%, the US market was up 3.2%, International markets were up 0.5%, the Emerging markets were up 5.5%, the Real Estate market was up 3.5% and Global Small Cap was up 0.9%. (Reuters Nov 30th).

For the year the bond market was up down 0.4%, the Preferred market was down 7.2%, the Canadian market was down 3.5%, the US market was up 4.0%, International markets were down 9.9%, the Emerging markets were down 6.8%, the Real Estate market was flat and Global Small Cap was down 4.2%. (Reuters Nov 30th).

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

Meir