TD Wealth

March 2019

Market Update

Important Topic: The Financial Media and How It Gets Your Attention

It is important to note that while everyone must manage their finances, the vast majority of people do not care much about the subject itself.

There is little financial education in school and little encouragement or interest to study and understand the topic. Most people first start paying attention when they get their first job and suddenly have to decide what to do with any excess funds. If not spent, what do I do with it?

And yet questions, such as, How do I manage my money? How do I plan for my future? What are my choices? How do I evaluate them and decide?, remain foreign.

Most people are simply not that interested. Financial writers can tell you about how hard it is to get anyone to read financial books and even articles. While many books are written, very few are read.

But writers have succeeded in gaining attention by using 3 proven methods, 3 methods that trigger emotions. Each succeeds in attracting "eyeballs" (readers) but each leaves the reader prone to making poor decisions.

1. Get them Angry
Write a story about a person who was able to save an obscene amount each year, even from a small salary, invest it at very high rates of return, and retire by the time they were 40. People read these stories.

The circumstances however are usually quite unique (with family money often playing a key role). But the story makes people feel like they are missing out. And the fear of missing out (referred to as "FOMO") leads people to make poor decisions.

2. Stress them out
Write an advice column where you stress out the reader. Here you are told that you are not saving enough, not investing properly, won't be able to retire, will run out of money, won't be able to help your loved ones, and especially not doing as well as you should.

The truth is secondary. Emotionally these comments trigger stress leading to fear. Again, fear lead to poor decisions.

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3. Get them greedy by showing them how to get rich quick
Write a simple process on how to get rich quick. Just invest in this or that and your troubles will be over. Make this simple change and riches are yours. Subscribe here and I'll share the one stock you need to own now to never worry about money again.

While we all know that they are selling dreams and their book/lecture/subscription, it is very difficult to look away. The appeal is that strong. I suspect that more money has been lost as a result of this method then the other two combined.

I strongly encourage everyone to learn as much as they can about their financial situation, the plan we have built, the investments you own and the philosophy and theory behind all that is done, including how it is implemented. Our review meetings always focus on these points.

In the meantime, be wary of the financial media. They have a difficult time getting your attention and so they are prone to exaggerate, over simplify and run misleading headlines in an attempt to trigger an emotional response.

Market Update – Quarter Ending March 2019

The markets in the first quarter of 2019 were quite strong. Most equity markets around the world posted double digit gains while, at the same time, the bond market saw prices rise as interest rates fell. It was a profitable quarter with only a few exceptions.

The strong increase in prices, were made possible by the very strong decrease experienced in the last quarter of 2018. Overall, the last six months saw very little change. The markets fell and then recovered.

The best explanation I have found is as follows: Over the last quarter of 2018 many investors feared that interest rates were rising too fast and too far. Their concern was that such increases would lower future earnings and therefore future stock prices. In anticipation of such decreases, stock prices fell. Always remember that the markets are priced based on assumptions about the future and earnings play the most critical role.

Then in early 2019 the US Federal Reserve changed course. They announced that they would slow increases in interest rates, and then a short time later, announced that they may not increase them at all. Some analysts even began to speculate that the next move would be to lower rates. This 180 degree turn reversed the fear, and markets made up what they had lost.

I, and many others, would have preferred if the markets remain static for the six months but that is not how markets work. Since prices are always an attempt at valuing the future, when the future appears to have changed, prices move. When the future then appears as it had previously, prices move back. There is no knowing the timing or the extent of a revision of future expectations.

Looking forward, the economy is looks to be performing just fine by most measures but slowing slightly, political uncertainty and volatility remains high (and likely will for the foreseeable future), but inflation remains benign. As a result, we are neutral in the short term, but positive in the medium and long term. We continue to hold our positions and invest cautiously.

For the quarter the bond market was up 3.9%, the Canadian market was up 12.4%, the US market was up 11.5%, International markets were up 10.5%, the Emerging markets were up 7.6%, the Real Estate market was up 13.4% and the preferred market was up 0.6%. (Reuters March 31st, 2019)

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

Meir