Market Update

October 2023

Important Topic:
A moment of Reflection

I want to spend a moment in memory of the over 1400 Israelis that were brutally attacked and butchered on October 7 and offer a prayer for the safe return of the over 240 hostages held, a Canadian among them. That attack has led to the resulting war which has, and will, lead to many more being killed. Many innocent lives lost. It was all unnecessary. It should never have happened. Everyone loses. May we soon see the day where "nation shall not lift up sword against nation, neither shall they learn war anymore."

Personally, watching the many rallies actually celebrating the events of October 7 in Canada has left me numb and scared, not only for my future in this country but for the country itself. Unfortunately, as we have seen in so many conflicts of the past, when hate burns bright, the casualties are usually truth, justice, empathy, sympathy, and even civility.

As we approach November 11th, Remembrance Day, we should not only remember the many who gave their lives ensuring our freedom, but take a moment to truly cherish our freedom, appreciating how lucky we are to be living in Canada. And we should remember that freedom must always be defended. If any group can be publicly threatened, we are all in danger.

Fortunately, none of this will have much, if any, effect on your portfolio or your financial plan. As always, world events have a small and short-lasting affect, if that. Companies will continue to produce, workers will continue to work, products will continue to be bought and profits will continue to be made.

Important Topic:
Random Thoughts

Instead of one unifying idea I wanted to share a few random ideas and thoughts that have crossed my desk this month:

If you knew in March 2022 that the US Federal Reserve would take rates from 0 to 5%:

- you might have sold all of your stocks as one would have though the market would be down 20% to 30%, but the fall has not even been close to that over this period. If the last 18 months haven't humbled you, you're probably not paying attention.
- when mortgage rates would go from 3 to 7%, you might have been convinced the value of your home was going to fall. Yet in July 2023, the median home price was up 1.8% year over year, maintaining its recent appreciation.
- you might have expected that this successfully slowed economic activity and ultimately cooled inflation. Yet while inflation fell, economic activity was re-accelerating.

If someone told you 5 years ago there where would be a pandemic and that Pfizer would be the leading manufacturer of a vaccine with sales of over $70 billion in 2012-2022, you might have expected Pfizer to outperform the market. Yet while the S&P500 is up 38% since January 2020, Pfizer is down 4.9% (October 31st, 2023)

The more time you spend thinking about the macro-economic environment, the less money you will likely make.

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First, predicting the economy correctly is near impossible. Even the Chairman of the US Federal Reserve admitted that: “We are navigating by the stars under cloudy skies”.

Second, even if you get it right, it does not mean you will invest profitably.

So, if we don’t know what will happen, and if even knowing wouldn’t be helpful, then you should think twice before you make any sudden moves. Some moves around the margin won’t kill you, but extreme moves in an uncertain world almost always come back to haunt you.

Be aware of any feelings of fear or greed, they can do untold damage (in the markets and elsewhere).

Instead, spend your time looking for where things are getting better, where the world is going and where things are working as shown by increasing profits.

One’s investment success is tied mostly to how long one is invested as we believe compounding returns is the key to long term success.

Markets are like a Monet painting. From far away it’s okay, but up close it’s a big mess.

History shows that over periods of time the stock market provides attractive returns, whether interest rates and inflation are rising or falling. The market produces lower returns are when inflation is rising, and that time has passed for the moment.

U.S. Stock Market Average Returns: 1928-2021

Rising Inflation	Falling Inflation	Rising Rates	Falling Rates
5.5%	14.7%	9.7%	9.6%

Data: NYU (S&P 500, returns annualized)
Rates: 10 year treasuries

(Chart Ben Carlson – A Wealth of Common Sense)

Given a proper wealth plan aligned with your goals and coupled with prudent risk-aware portfolio managers, stay the course.

Market Update – October 2023

Markets in October were negative, similar to September's fall, and continuing the downward trend started in August. Combined, the last three months have reversed much, if not all, of the gains experienced year-to-date. It has been a difficult time with all markets turning south.

This has been particularly difficult as the economy has done as well or better than expected, unemployment remains low, inflation has come down considerably and appears to be under control, and company profits have been sound.

The expectation of the long-awaited recession has returned, and the mood has turned sour.

To be clear, as happens often, too often, the emotions of the day carry more weight than the facts (this is happening more often, and in more arenas).

There is truth to the often-repeated phrase 'in the short run (and three months, even a year, is the short run) the market is a voting machine but in the long run it is a weighing machine'. In other words, short term prices are much more of a popularity contest where everyone votes for their favorites, or against their least favorites, but in the long term the weight of success and profits determines all.

So, no matter how difficult it is, it is critical that one focuses on the long term and remains confident that the long-term plan will succeed. We just don't know which path we will take to get there.

Looking forward, we are positive on the short term, given current prices and remain positive in the medium and long term. We continue to invest new funds (finding some good opportunities) and monitor our positions closely.

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

- Meir & Adam

Index	Month	Year to Date
Bonds FTSE Canada Universe Bond Index - CAD	0.10%	– 1.40%
Canadian Equity - S&P/TSX 60 Index - CAD	– 3.20%	– 0.30%
US Equity – S&P 500 - USD	– 2.20%	9.50%
International – MSCI EAFE Index - USD	– 2.90%	3.80%
Emerging Markets - MSCI Emerging Markets Index - CAD	– 1.30%	1.20%
Real Estate - Dow Jones® Global Real Estate Index - USD	– 4.40%	– 8.30%
S&P/TSX Preferred Share Index - CAD	– 2.90%	– 3.90%

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