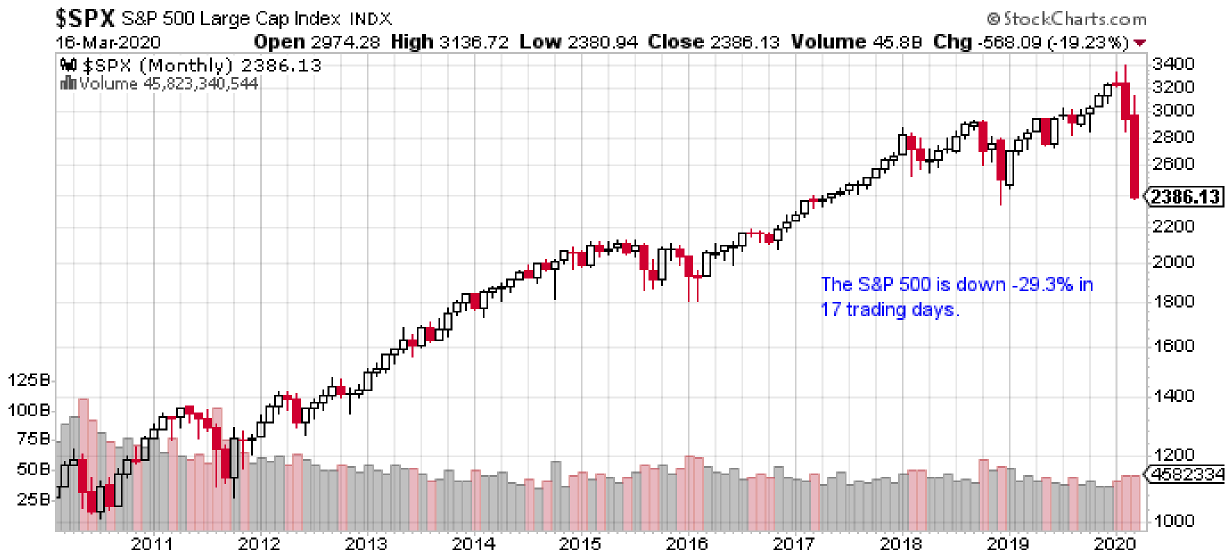
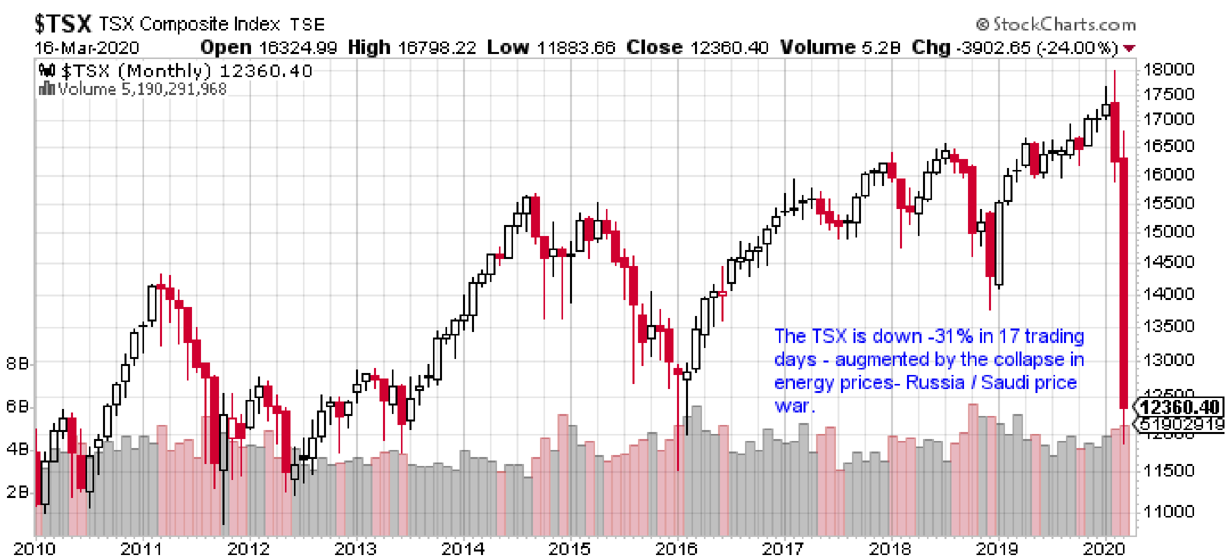
NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

R HUNTER WEALTH MANAGEMENT GROUP

The Good, the Bad and the Ugly… March 16, 2020

But first, the Bad & Ugly





The Good.

The US$ in your portfolio is a positive hedge to declining Canadian dollar (your purchasing power).

The U.S. market outperformed the Canadian on the way up and has been most resilient on the way down. Best performing U.S. sector remains Technology.

We largely have cash balances from large January stock assignments to place into the downturn.

While fear about Covid-19 pandemic has led to one of the fastest reversals in the stock market I can remember (17 days), I believe that elevator like downturn could provide a hint for pricing action once this pandemic passes. Peak virus is expected within the next eight weeks.

Interest rates in the U.S. are now nearly zero after the most recent Fed cut and I expect further easing here in Canada. Dividend yields on the Canadian banks are currently 5.15% on Royal and 6.83% on BNS at writing. Given history, I don't believe that those yields will be ignored for long as money eventually flows back to stocks. BCE is paying 6.56% cash yield on the current price. That is a pre-tax interest equivalent (after the dividend tax credit) of about 9.18%.

It feels different (pandemic vs financial crisis vs 911) but as a market corrections go, it is not…

S&P500

2020 -29.3% pullback so far (<u>in 17 trading days</u>)

2008 -51% pullback (over 16 mths) followed by 451% run up over 130 mths

2001 -44% pullback (over 30 mths) followed by 108% run up over 61 mths

Remember…

Despite the immediate, markets spend way more time in positive territory than negative and bull markets dominate most of the time. Bear markets are brief and INSTILL FEAR. Investor discipline in a bear market is CRITICAL.

It will be tough buying the bottom of a correction, particularly when panic is driving pricing right now. However, if you think two years as an investor as oppossed to two weeks as someone overwhelmed by news, I believe history suggests you will benefit from a buying opportunity. It doesn't get much better than this if you are familiar with long term market trends, which most of you are.

Our office.

We are suspending all in office client meetings until further notice until this pandemic passes. We can do both telephone and video conference calls. We have deployed our technology for working remotely and I am writing you this note from my home office where I am currently self-quarantined as a result of leaving Canada recently on holiday ☹

I am sending you two other pieces I hope are helpful – one about the pandemic (Goldman Sachs) which explains why everything is temporarily being shut down, and another virtual guide to pandemics past.

We are here. Call if you need anything.

"It's a wonderful life, if you don't weaken". (The Tragically Hip)

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. ***This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group.*** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

National Bank Financial

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Sources: Reuters, Bloomberg, Stockcharts.com

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