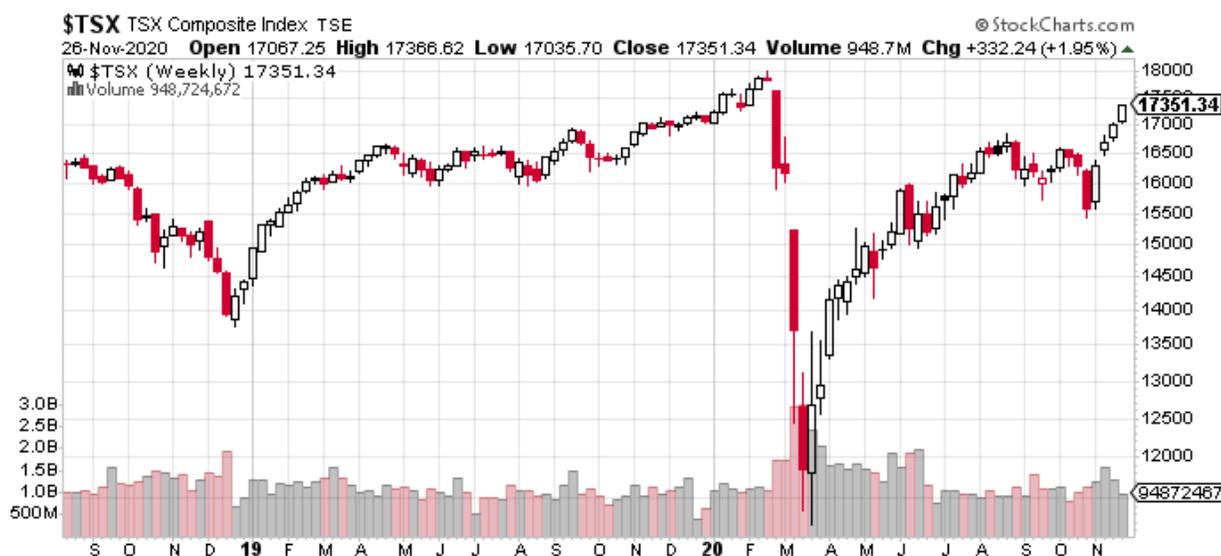


Market Update

December 2020

Seasonally, September and October are often weak months within the calendar and this year was no exception, as the market resembled a seesaw, lacking clear direction.

That all changed in November as a contentious U.S. election was settled and new vaccine news caused the market to start *looking forward* to a post Covid-19 economy – and it did. The S&P 500 and Nasdaq in the U.S. are now in new high territory while laggard Canada (TSX) has recovered and has nearly caught up to the last peak of Feb 20th, 2020. The broader market has caught up.



In short, while technology (Nasdaq) led the market out of the late February correction, the move in November was very broad based and included over a +15% move in Canadian bank group and even a positive move in a heavily tax-loss sold energy sector.

You might be sensing some disconnect between the current market action and what you imagine to be *the real economy*, which could be a source of further market volatility in coming quarters should this second wave of Covid prove detrimental to broad based earnings. However, several sectors are doing well and many companies have been doing well despite the mayhem in the obvious ones like hospitality, tourism and energy this year.

Historically, November through April offers the best market strength within the calendar.

While governments have not spent as much money since WW2, they have a desire to keep interest rates low as their current debt load would become cumbersome with higher interest rates. My **'guess'** is that we might see new forms of taxation downstream as a response. I note that the top marginal tax rate in B.C. is now 53.5%. That means being tax savvy, could prove to be more important down the road and dividends still offer dramatically better tax treatment than interest.

In a little over a month, you will be able to add more capital (\$6,000) into a TFSA but I can't help wondering if that privilege could eventually become vulnerable to government deficit financing. We enjoy what and while we can.

At the end of every market jolt, be it Black Monday, 911, Pandemic event, it is worth considering what we learned?

There is not one market correction in the history of the stock market that has not ended the same way – with recovery. The only variable is time. The longest peak to recovery I have measured over the last 100 years is 6 years. This last correction was about 6-8 months round-trip.

While I have enjoyed meeting on TEAMS video conferencing, I am looking forward to welcoming you again in our offices when this over.

Be well.

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.

Best,

National Bank Financial

Rob Hunter
Vice President
Senior Investment Advisor

Sources: Stockcharts.com

A nice note from upper management... Thanks to those who participated in the firm's recent survey!

November 26, 2020

Rob,
Congratulations on receiving the highest score possible on the most recent National Bank Financial **Net Promoter Score** survey.

Every client that responded to our survey indicated that they would recommend your team based on the exceptional service and advice that you provide. We are extremely proud of your results.

Regards,

Ben



Ben West, CFA

Vice President and Regional Manager, BC

POSITIVE  IMPACT

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