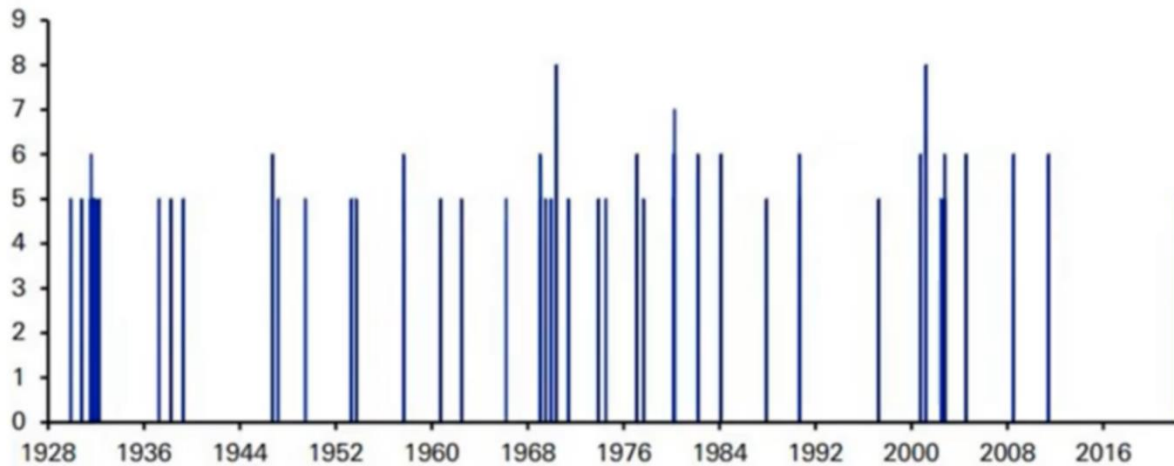


Behavioural Economics.

One reason why this sell-off may seem bothersome:

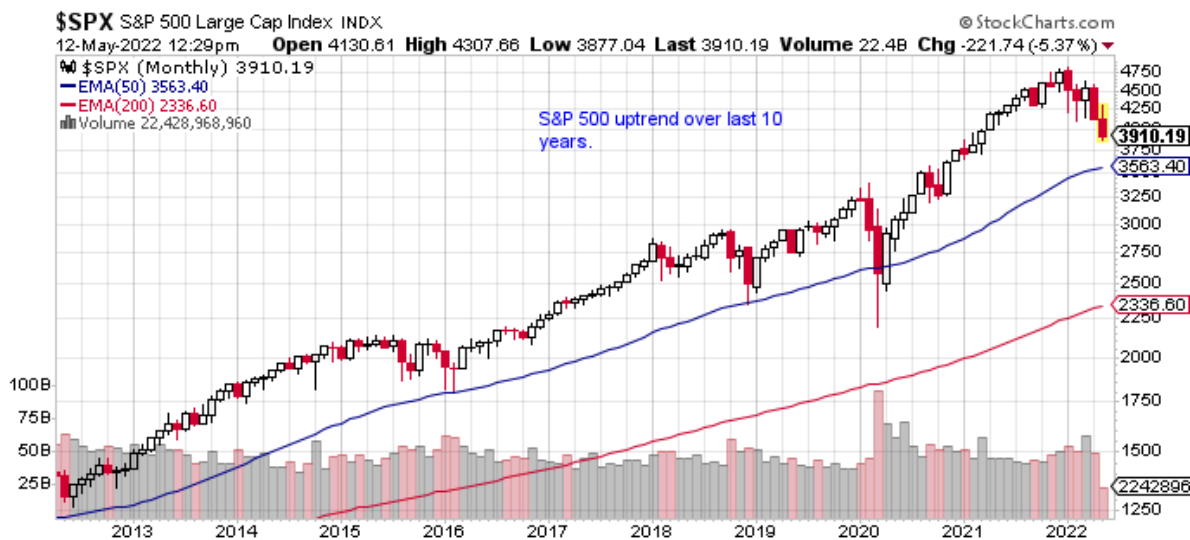
If you started investing (or accumulated most of your wealth) after 2009 you have never experienced 5 down weeks in a row: a semi-regular experience of the past. We tend to place too much emphasis on experiences that are freshest in our memory rather than on historical reality.

Figure 1: Number of consecutive weekly declines for the S&P 500 of more than five weeks. We've just ended the longest run without one.



This market pullback is in its fifth month and investors are concerned for a lot of reasons. These include supply chain issues, responding record high inflation, responding rise in interest rates, the war in Ukraine, a slowing US economy, and COVID-19 related shutdowns in China.

Despite this, the benchmark S&P 500 is now down <18.3%> from its all-time high in early January, less than the pullback in late 2019 and considerably less than the decline in 2020. The market is not down any greater than other declines over the last 10 years.



YTD

S&P 500	<18.3%>	U.S. Benchmark
Nasdaq	<28.5%>	U.S. (Technology heavy index)
TSX	<8%>	Canadian Benchmark

The good news.

Inflation may be at a 40 year high, but it went up like an elevator in response to demand and supply shortages related to the reopening of world economies *post*-pandemic. Prominent Wall Street strategist Ed Yardeni believes that inflation peaks this summer and declines into next year and without recession because both households and businesses are in better financial shape than they were pre-pandemic.

This makes a lot of sense to me, as the consumer drives the market and they have less debt and more savings than a few years ago and are better positioned to handle the current spike in inflation.

This chart reflects that this correction in the market is historically normal and that despite the occurrence, the trend of the market upward has been upward. Remember, that over more than one hundred years, every market correction has ended the same way – with higher levels.

Legacy.

All of us want our kids to be ‘okay’. A more pronounced concern today is how and when our kids will obtain home ownership. I still remember how daunting at the time, was my very first home purchase where I bought a fifteen-foot wide semi-detached home for \$67,000. A joke today, but still daunting back then. BTW, Home sales dropped 35% in B.C. in April and I expect prices to follow as higher rates impact affordability.

If you are retired, you likely recognize the limitations in helping your kids, prior to any planning of gifts, within the context of your eventual estate. Further, your potentially biggest expenses may be medically related as you age.

One idea you can consider is the use of life insurance - not as insurance, but as an alternative investment asset, within your greater portfolio. It is a tax-friendly private contract, that bypasses the estate and pays directly to your named beneficiaries. I have helped clients establish contracts that have benefited their children over the years where their portfolio even paid the premiums.

**I am dually licensed in the Securities and Insurance Industries.*

Make sure you have a will and that it is up to date. I have found that some clients avoid this task, perhaps because it is related to their eventual death, but to do so can prove costly.

Maintaining Legacy.

If your kids are going to inherit from you, here are a few things to consider.

50% of marriages where people say "I do", do not. It is just a fact.

- In B.C, *an inheritance* is protected in family law, meaning that your gift to your child within an estate may remain what you intended should their marriage fail. However, only the original face value of the inheritance is protected. For instance, if you leave \$100,000 to a child as inheritance and it grows to \$300,000 prior to a dissolution of their marriage, the growth of \$200,000 is considered a family asset.
- Given current reality around marriage, Prenuptial and Cohabitation agreements are popular practical legal tools your children may consider, before cohabitating with someone.
- Last, In B.C, if you have a child that lives with someone for two years, the Government considers them legally married.

**For further consideration of the above, I suggest you consult with your family law professional or I would be happy to refer you to one.*

Weather?

Despite current disbelief, historical weather patterns suggests that warmth may arrive... well, sometime soon. Where did I put my sweater?

Feel free to call should you have any questions. I am a phone call away.

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
Senior Wealth Advisor

Sources: Technical Speculator, Ed Yardeni Research/Hamilton ETFs, Stockcharts, Reuters, Globe & Mail, Castanet.

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