



UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

Fourth Quarter Update

As 2018 has drawn to a close, it's natural to reflect on the year's challenges—in both the equity and fixed income markets around the world. Market volatility has materially increased during the past couple of months as investors digest the impact of rising interest rates, trade tensions between the world's two largest economies, and political concerns relating to the Brexit end-game between the United Kingdom and the European Union.

Wise investing is founded in long-term objectives and understanding investments won't always be on an upward trajectory. For every handful of positive-return years, there can be at least one less desirable. In the equity markets, corrections—measured by a drop of at least 10% from a recent high—can be nerve racking. But they're quite common. Since 1945, the U.S. equity markets, as measured by the S&P 500, have seen a 21-point correction with an average drop from the peak of 14%, while lasting an average of five months. With the sell-off, some investors have started to wonder whether this is the start of a bear market—measured by a drop of more than 20%—or a classic garden-variety correction. Most bear markets are the result of a recession.

Despite some negative sentiment, the global economy remains healthy, which has led to strong corporate profits throughout 2018. Researchers at UBS Securities examined 120 recessions in 40 different countries during the past four decades and found a common theme of a slowdown in consumer spending and productivity growth before a recession. Both spending and productivity growth have improved this year.

The opposite is true for bonds. Negative annual returns are quite rare. U.S. Government bonds have experienced only four negative calendar-year returns since 1974 and we have never experienced consecutive negative-return years. While 2018 has been a challenging year for bonds, with higher interest rates and less aggressive interest rate increases moving forward, it is unlikely that 2019 will buck the historical relationship.

Manulife Securities Incorporated
Suite 302, 3 Church Street, Toronto, ON M5E 1M2
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

 **Manulife Securities**



Upper Canada Capital is our trade name (i.e. business name) under which we offer all our services. Upper Canada Capital is a trade name used for both securities business and insurance business. Stocks, bonds, and mutual funds are offered through Manulife Securities Incorporated. Financial plans are offered through Manulife Securities Incorporated. Insurance products & services are offered through Upper Canada Capital Inc. and Manulife Securities Insurance Inc.



UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

The availability of information today has created many new challenges. Not all information is good, and this is no different when related to investing. Information relating to the so-called *holy trinity*, Fundamentals, Earnings and Valuations, are crucial in forecasting forward returns. Today, despite the constant negative news, this *holy trinity* seems to paint a positive picture going forward.

Benjamin Graham, the father of value investing and mentor to Warren Buffet once wisely said, "In the old legend the wise men finally boiled down the history of mortal affairs into a single phrase, *this too will pass.*"

As always, if you have any questions about the markets or your investments, I'm here to talk.

Warm regards,

- Kurt

Kurt Rosentreter, CPA, CA, CFP, CLU, CIMA, TEP, FMA, FCSI, CIM
Senior Financial Advisor, Associate Portfolio Manager, Manulife Securities Incorporated
Certified Financial Planner and Life Insurance Advisor, Manulife Securities Insurance Inc.
416-628-5761 Ext. 230
Kurt.Rosentreter@Manulifesecurities.ca
www.kurtismycfo.com

To follow Kurt's financial tips on social media, click on the links below:



Manulife Securities Incorporated
Suite 302, 3 Church Street, Toronto, ON M5E 1M2
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

 **Manulife Securities**



Upper Canada Capital is our trade name (i.e. business name) under which we offer all our services. Upper Canada Capital is a trade name used for both securities business and insurance business. Stocks, bonds, and mutual funds are offered through Manulife Securities Incorporated. Financial plans are offered through Manulife Securities Incorporated. Insurance products & services are offered through Upper Canada Capital Inc. and Manulife Securities Insurance Inc.



UPPER CANADA CAPITAL

PRIVATE WEALTH MANAGEMENT

Kurt Rosentreter and Manulife Securities Incorporated (“Manulife Securities”) do not make any representation that the information in any linked site is accurate and will not accept any responsibility or liability for any inaccuracies in the information not maintained by them, such as linked sites. Any opinion or advice expressed in a linked site should not be construed as the opinion or advice of Kurt Rosentreter or Manulife Securities. The information in this communication is subject to change without notice.

Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through Manulife Securities Insurance Inc. Banking products are offered through referral.

Manulife Securities Incorporated
Suite 302, 3 Church Street, Toronto, ON M5E 1M2
T: 416-628-5761 • F: 416-225-8650 • TF: 1-866-275-5878
Visit our website: UpperCanadaCapital.com

 **Manulife Securities**



Upper Canada Capital is our trade name (i.e. business name) under which we offer all our services. Upper Canada Capital is a trade name used for both securities business and insurance business. Stocks, bonds, and mutual funds are offered through Manulife Securities Incorporated. Financial plans are offered through Manulife Securities Incorporated. Insurance products & services are offered through Upper Canada Capital Inc. and Manulife Securities Insurance Inc.