

The Outlook? Low and Slow

Equity markets have continued to move higher to finish July thanks in large part to continued central bank stimulus including low interest rates. Central banks including The Bank of Canada, the U.S. Federal Reserve and the ECB have committed to low interest rate policies - something that most economists and market watchers predict will be with us for the foreseeable future.

At its July 15 meeting, Bank of Canada Governor Tiff Macklem stated that “Interest rates are going to be very low for a long time.”, and “By holding interest rates low across the yield curve, that will reduce the debt burden for Canadians.” The Bank of Canada has maintained its target overnight rate at 0.25% and announced a continuation of its “quantitative easing” (QE) program, intended to keep longer term interest rates low.

Forecasts for economic growth have stressed the “slow” nature of recovery. Macklem further stated: “The recovery has started, and we’re seeing some good numbers, but it’s going to be a long climb back”. In its report, the Bank indicated that the reopening of some businesses and pent-up consumer demand are leading to slight improvements in employment and economic output.

At the July 29 U.S. Federal Reserve meeting, Fed Chair Jerome Powell said “The path forward for the economy is extraordinarily uncertain, and will depend in large part on our success in keeping the virus in check.”, and further that “The pace of recovery looks like it has slowed” since the virus began to spike again in June. Second-wave outbreaks in the U.S. are driving a continued feeling of uncertainty, slower consumer spending, and slower job growth.

However, markets have largely remained positive despite signs of weakness in the economy, based on buoyant technology stocks and hopes that researchers will develop a viable vaccine in the near future.

As an investor, volatile markets and changing news headlines can feel overwhelming. Stay focused on your long-term goals. Though it may not feel like a decision, choosing to remain on course is a solid step forward. The path is never straight, but markets generally moving upward is a positive sign and in line with longer-term historical patterns.

- **Short-Term View:** Markets have remained positive, based partly on central bank stimulus and strength in technology stocks.
- **Longer-Term Thinking:** Markets have endured significant disruptions in the past. While the current conditions are far from ideal, sticking to your long-term plan through these periods of volatility is the key to investment success.
- **Logic Over Emotion:** Perspective is key. Focus on long-term goals and timeframes. Contact your advisor to discuss any questions and concerns you may have.

Our Experts Say...

“Overall, our investment philosophy has remained constant through the downturn. Our answer to unforeseeable events, such as the COVID-19 pandemic, is to maintain a balanced portfolio of strong, resilient businesses acquired at a discount to our estimate of their intrinsic values.”

Kim Shannon

President and Co-CIO
Sionna Investment Managers
Canadian Value and N.A. Value Mandates

Over the past 10 years, markets have been positive. Perspective is key.



Source: Morningstar Direct. Growth of \$10,000 shown. Total returns from January 1, 2010 to July 30, 2020 in local currency.

How Our Portfolios Reduce Volatility

The **Strategic** and **IPC Private Wealth** portfolios benefit from an allocation to an exclusive risk mitigation strategy (Global Trend Strategy) that can move assets to cash equivalents during market downturns. This strategy is currently 55.8% invested in equity holdings. In addition, the Retirement Income portfolio is at 77.1% in short-term bonds.

In the **Retirement Portfolios**, Defensive Global Equity remains at 100% equity exposure, with its signals score showing small improvements week over week, primarily driven by positive changes in the earnings revisions signal.

The trend-following model continues to shift assets from the bond overweight back to equities in the **Essentials Portfolios**, with movement into U.S. equities in Income Essentials and into the International equity sleeves in Balanced and ESG Balanced. No changes in Growth Essentials this week.

IPC Private Wealth client portfolios benefit from a broadly diversified approach including an allocation to fixed income holdings, and investment in our **Multi-Strategy Alternatives** mandate which is less correlated to market changes.

In the **IPC Private Wealth Fundamentals** Portfolios, volatility management comes through optimized portfolio construction and diversification, and an allocation to a **Hedge Fund Index ETF** which provides access to a range of strategies with low correlation to equity markets.

DID YOU KNOW?

At IPC Portfolio Services, we continue to monitor markets and will keep you up to date.

We are long-term investors. While responding strategically to short-term conditions is part of our process, we are focused on managing the long-term objectives of our portfolios.

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IPC PRIVATE WEALTH

When markets are volatile, we know it can be challenging to keep your emotions at bay. We're here to be your guide and help you stay focused on your goals. If you have any concerns, please give us a call.

Sources: MorningstarDirect. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The content of this document (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it. This document includes forward-looking information that is based on forecasts of future events as of the publication date. Counsel Portfolio Services will not necessarily update the information to reflect changes after that date. Forward-looking statements are not guarantees of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Some of these risks are changes to or volatility in the economy, politics, securities markets, interest rates, currency exchange rates, business competition, capital markets, technology, laws, or when catastrophic events occur. Do not place undue reliance on forward-looking information. This information is not investment advice and should be used only in conjunction with a discussion with your IPC Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. Counsel Portfolio Services is a wholly-owned subsidiary of Investment Planning Counsel Inc. IPC Private Wealth is a division of IPC Securities Corporation. IPC Securities Corporation is a member of the Canadian Investor Protection Fund. Mutual Funds available through IPC Investment Corporation and IPC Securities Corporation. Securities available through IPC Securities Corporation, a member of the Canadian Investor Protection Fund.