CINDY BOURY FCSI®, CIM®, FMA
Portfolio Manager & Branch Manager

CINDY BOURY PRIVATE WEALTH MANAGEMENT

NEWSLETTER: FIRST QUARTER 2019

Cindy's Insight

Happy New Year to all,

2019 is going to be an interesting year in the market. We have a minority government in the USA and a federal election this year in Canada. We expect interest rates to increase next year, one to two times at 0.25% each time. After this time, rates may level out or remain stable. I expect the market to improve in 2019 but this is a good time to reflect on how you felt during the melt down in December 2018. If you are feeling market fatigue and asking yourself if the stock market and investing is the right choice for you, you are feeling like a lot of people.

This is the time people lose trust in the market and often feel like moving their long term investments to less volatile investments. This is not the right time to make this decision. You should be making this choice when the stock market is positive, not when it's down and people are worried. Adding bonds to a portfolio will reduce the volatility but it needs to be a thoughtful decision based on your long term goals and risk management. **For those of you who have had concern regarding the market and wish to reduce your volatility we can slowly add to your bond position in the portfolios.** As the year unfolds and interest rates creep up we will increase our bond position within our discretionary portfolios. This does not address the cash sitting in very low interest savings accounts we hear about. If you would like to discuss your portfolio risk please reach out to me and the team and we'd be happy to review.

Over the last year some clients requested not to move their long term investments out of the market but to add additional savings and larger cash amounts to a stable position. I have a bond portfolio built for people who have unproductive savings, have downsized, or have larger amounts in the banks. If you'd like to make this money work harder for you, this bond portfolio will add value to you and unlike GICs they are cashable. This is a single bond package (a grouping of bonds) which come due regularly. When they mature you receive exactly what you invested plus interest.

If you have short term bonds, one year or less you will receive approximately 2% interest at this time. As these bonds mature we renew them into a one year bond and your average return will increase. This is a short term bond model for people who want to draw the money out within a year. Often for a first time placement we will buy, a three month, a six month, a nine month and a one year bond. When the three month maturity comes due we renew into a one year if the money is not required. This way as each bond comes due, you can choose to take the money, renew or add it to your investment portfolio. If bonds are not for you, we also offer high interest rate savings accounts and GICs.

So if you have unproductive money and would like to have a safe environment we have the tools and expertise to improve your returns. If you are looking for a safer direction, let us know and we may have a solution for you.

On another note, we will be offering new topics for our boardroom presentations in 2019, such as estate planning and bonds. These will be listed on the website and Sheryl will email you a heads up as they come forward.

Cindy Boury FMA, CIM®, FCSI®
Portfolio & Branch Manager

Inside This Issue

ADVISOR TALK

"Did you know...
Canadian investment income and capital gains generated within a TFSA is not taxable."

- Cindy Boury

CINDYBOURY PRIVATE WEALTH MANAGEMENT | RAYMOND JAMES

Life Insurance FAQs

Q: *"What's the difference between mortgage insurance and term life insurance?"*

A: With term life insurance you own your policy. You name the beneficiary and only you can cancel or make changes to the policy. Mortgage insurance is not owned by you and the lender is the beneficiary.

With term life insurance your premiums are guaranteed for the term of the policy. Lenders often require you to requalify for mortgage insurance when you refinance your mortgage. If you own a term life insurance policy the amount you are insured for does not change or decrease over time. The value of your mortgage insurance decreases as you pay down the mortgage, however the cost remains the same through the term of the mortgage. While these are significant differences one of the most important is the freedom of choice life insurance provides. It gives the survivor choice to use the funds to suit the family's needs. The funds are paid directly to the beneficiary, and provide choices and options that mortgage insurance doesn't.

Talk to us before you sign up for mortgage insurance. There could be a much better solution for you and your family.

Florenza Jones
Insurance Representative

...But It Does Rhyme

Introduction

The famous American author Mark Twain is credited with saying, "History doesn't repeat, but it does rhyme." I was thinking about that as I tried to analyze what happened in the stock market in 2018. Clearly, there was no place to make money for much of the year and the added pressure of tax-loss selling and hedge fund liquidations in December led to a much greater decline than many expected. In my career I've been through seven drops and deep declines in markets so I wanted to look for an example of a previous time that was similar to 2018. I think the period from April 1998 to March 2000 may help us think about what happened last year and what may be ahead.

History

In 1998 we had a number of crises hit the markets culminating in the collapse of hedge fund manager Long Term Capital Management LP in the fall. Prior to that, we had the Asian financial crisis which raised fears of a worldwide recession. There was trouble in Russia when the ruble was devalued and the government defaulted on its debt. Then there was the impeachment of President Clinton. Doesn't that sound a bit like the past year? If we look at the left side of the April 1998 - March 2000 chart below we see a similar pattern to what happened in 2018.

From July 20 to October 8 the market, as measured by the Standard and Poor's 500 index fell by over 22% and many people thought that it would take years to recover from the drop in their accounts. But that's not how markets work. Driven by government actions, central bank accommodation and a recognition of a revolutionary technology called the Internet, the market recovered all of the loss in just two months and then went on to go up by over 28% in the next 16 months. Now we are fully aware of what happened after that with the "tech wreck" and we will monitor the situation to reduce market exposure when we believe the time is right. We just do not think the time is now. Why do we say that?

Current Environment

As we wrote in our December 21, 2018 Market Thoughts e-mail, "We think that the decline in stock prices has simply brought valuations down to a sustainable level." In many respects, fundamentals haven't deteriorated but sentiment has. Sentiment can be very fickle so we are not overly concerned. We are reminded of the following CNBC headline from January 24, 2018, "The stock market is off to its best start in 31 years and that bodes well for the rest of 2018." The mood was as positive in January 2018 as it was negative in December. So a longer term perspective and an ability to differentiate between the daily "negative noise" and fundamentals can really help at times like this. It seems that markets do exactly what the least number of people expect them to do. Today we have very healthy fear and scepticism in markets.

MARKET ECONOMIC UPDATE

Raymond James Chief Strategist Jeff Saut, along with many other experienced analysts, has been saying for years that we are in an earnings driven secular (very long-term) bull market. Now that doesn't mean that we won't have sharp drops that can be scary. It just means that the secular forces at work in the global economy will drive earnings and therefore stock prices higher. You may ask "but what about a recession?" I love the oft-repeated quote that markets have predicted nine of the last five recessions. Economists call the current type of environment a "Goldilocks economy". It's not too hot and not too cold and it's the best environment for stock markets.

Good markets don't usually end until speculative pressures (think dot com and sub-prime mortgage bubbles) leave central bankers no choice but to slam on the brakes. That's when a bear market starts and we think we're a long way from that.

We have always believed that interest rates are the key economic variable because interest rates represent the cost of money for businesses and consumers. Interest rates also have a large influence on the flow of money between cash, bonds and stocks. When interest rates rise it is more difficult for stock markets to go up. The critical factor that drives interest rates is inflation. We think that 2018 represented a year of necessary pause that allowed for many of the pent up inflation pressures to moderate. So, if we are near the end of rapidly rising interest rates, it should be easier for stocks to increase in value like they did in 1999.

While we are fully aware of the political risks such as trade wars, Brexit and political infighting, we believe these issues will be resolved because it is ultimately in everybody's interest for that to happen. We also think that politics has a much smaller impact on markets than many people believe. We're excited at the possibility that the period ahead may represent as significant a leap forward in technology and productivity as we've ever seen. Cloud computing, 5G, biotech, genomics, robotics and artificial intelligence will change the way we live in profound ways and create opportunities for massive wealth creation.

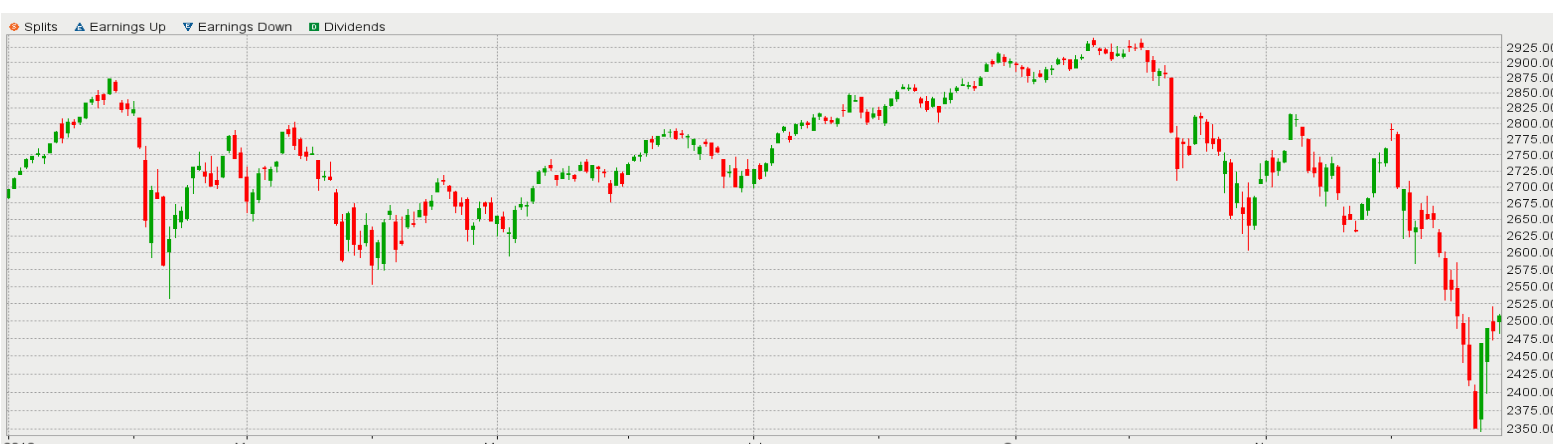
We'll continue to look for those growth vehicles while maintaining a solid base of diversified investments.

Here's to 2019 being a great (and a surprising) year!

Martin Chambers CIM®
Trading and Research Specialist

S&P 500 - April 1998 - March 2000

S&P 500 - 2018



Source for charts: Quotestream

NEWS & EVENTS

Attend Our Free Boardroom Presentations

Thank you to all who have attended our past sessions. Due to positive feedback, we will be launching new presentations soon!

Upcoming Events:

- Back to the Basics: Part 2 & 3
- Pay Off Your Mortgage Smarter
- Women's Only Events
- Understanding Wills, Probate and Estates: Have You Prepared For Your Family?
- Understanding Economics to Become a Successful Investor

Stay up to date by visiting our website:
www.cindybourypwm.ca

"We would love to meet your friends and family! If they aren't sure how to begin, invite them to a presentation. Then they can meet us and also learn something of value!"
- Cindy Boury

Follow Us On Social Media!

Have you seen our Facebook and LinkedIn? Stay up to date on the Cindy Boury team by following us!

Click the hyperlinks or copy to a webpage:

www.linkedin.com/in/cindyboury/

www.facebook.com/cindybourypwm/

Raymond James National Business Conference in Florida

(Above) Cindy Boury, Sheryl Boury and Susan Boury attended the conference, which included topics on industry trends, market discussions, business best practices and Raymond James company updates. A highlight of the week included a private group event at the new James Art Museum.

Remembrance Day Donation to the Royal Canadian Legion: Abbotsford

(Left) Cindy had the honour to present her donation to the Legion. Shown in photo: Kelly Watson (Poppy Chairman), Cindy Boury and Wendy Schmidt (1st Vice President.)

Merry Mousemas!

(Left) Did you know Cindy Boury PWM has their own custom cards? Some consist of photography, taken by Sheryl or Cindy, while others are hand-painted by Sheryl. This year's Christmas card was a watercolour titled "Merry Mousemas".

It's That Time Of Year Again… For Your TFSA and RRSP Contributions!

If you would like a copy of our TFSA (tax-free savings account) or RRSP (registered retirement savings plan) informational handout for 2019 emailed or mailed to you, please contact us and we would be happy to send you one!

Suite 200-2881 Garden Street, Abbotsford, BC V2T 4X1 | 604-855-0654 | cindy.boury@raymondjames.ca

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