CINDY BOURY FCSI®, CIM®, FMA
USA/CDN Portfolio Manager & Branch Manager

CINDY BOURY PRIVATE WEALTH MANAGEMENT

NEWSLETTER: FIRST QUARTER 2022

Cindy's Insight

As I look ahead at the coming year, I first want to say a huge thank you to all of you. My team and I love being part of your financial journey. Our goal is to give you the opportunity to invest and work with like-minded people who offer the support and advice needed to manage in today's world of finance.

Estate planning is a key component and should be discussed today, and reviewed continuously. We have extensive knowledge in this area, so please call us with any concerns or questions you may have.

We also work with families responsible for disabled loved ones, helping to build trusts, make use of Registered Disability Savings Plans (RDSPs), and structuring not only their estate, but encouraging them to have a full life as much as possible. I have used trusts for years. Raymond James has a trusts services division, and we can share with you their role and how they can help with power of attorney and executor issues.

With interest rates set to increase this year, a slowdown in consumer and company purchases, production, need for materials, and other items needed for manufacturing can occur. During these times, growth will be moderate, credit will tighten, earnings will be under pressure, inventories will grow and sales will fall. This is a late cycle which could lead to a recession. Investing can help fight inflation. As costs increase, your savings accounts usually do not keep pace, especially after tax.

Several years ago, I moved portfolios to a more global exposure with a focus on the US and Canada. Europe may be inexpensive, but with uncertain futures for some governments, we need to be cautious. We are currently holding a small amount of emerging markets.

For single stocks, I target well-run companies. If a company passes through my lengthy screening process, technical analysis identifies the price point to purchase. Some portfolios show higher payout of dividends versus new stock placement. This is because we buy small amounts when the stock drops. These buys add shares to your portfolio and dividends are attached to the shares. By buying lower, you increase your dividend. When a company's stock price is very high, I consider trimming it to reduce the position. This cash can be used to buy into a lower priced company you may hold or to help with your monthly withdrawals. This type of buy can add value to the portfolios, especially in a volatile year. If you are consistently withdrawing, we add a savings component to place the cash to support the withdrawal. This way, you know the money is there for your cash flow needs, rather than selling positions if the market is down. Having this savings in place gives you peace of mind knowing your retirement cash flow is not compromised by market volatility.

Our portfolio models are unique as they are created and managed by the team and I. This enables us to not only manage the positions, but to reduce the overall cost of the portfolios.

Wishing you a very happy 2022!

Cindy Boury FMA, CIM®, FCSI®

USA/CDN Portfolio & Branch Manager

Inside This Issue

FINANCIAL TIPS

Reminder...

RRSP annual contribution deadline for the 2021 taxation year is March 1, 2022.

TFSA annual contribution limit for 2022 is $6,000. (Cumulative room is $81,500).

CindyBoury Private Wealth Management | Raymond James

Life Insurance FAQs

Q: *"Do You Have a Will?"*

A: I would like to share a personal story about the first time I met with a financial advisor. When I was a mom of young children, my husband and I made our first appointment, and to tell you truth, I was a little intimidated. While I had investments and savings on my mind, the first question she asked was: "Do you have a will?" I hung my head in shame. My husband and I had talked about it, but there was always some excuse for not moving forward and getting it done. As a parent, I was embarrassed that we hadn't planned for who would take care of our children if we both died unexpectedly.

As the meeting went on, the advisor asked if we had mortgage insurance, whether it included disability insurance, and how we would manage if one of us was unable to work. The questions continued: Did we need additional life insurance? How were our beneficiaries set up on our RRSPs? Did we have enough saved in case of an emergency? This appointment wasn't going as I'd expected. Not one word about stocks, mutual funds or transferring our money. I don't think she even asked how much money we had to invest.

After a lengthy discussion, we left the office with notes and homework in hand. We looked into our mortgage insurance to see exactly what it included, and discovered we needed additional coverage. Over the next couple of weeks, we made an appointment with a lawyer to create our wills and designate a power of attorney. We shopped around for a line of credit at three different institutions (as the advisor had suggested), we made sure we were each other's beneficiaries on registered plans, and we checked the beneficiary on my husband's life insurance through his employer. It was a lot to take care of before our next scheduled meeting, but I was determined.

Walking into the next meeting with homework completed, I was feeling more confident. I was grateful our advisor had set us on the right path. I had peace of mind our children would be looked after and we had our ducks in a row in case the unexpected happened.

Many, many years later, I ask the same questions, especially of my younger clients. With a smile and chuckle, I often share my story of being "shamed" into having our wills prepared because I want them to know I understand how difficult making those decisions can be, and how easy it is to put them off. Mostly I want them to feel that same peace knowing they've done all they can to ensure their family is protected.

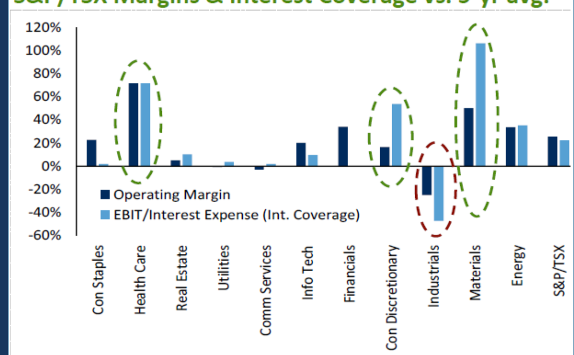
Have you guessed the financial advisor in this story? If you said Cindy Boury, you are correct!

Florenza Jones
Insurance Representative

Where Fundamentals Stand

During periods of rising interest rates and bond yields, it is common for investors and portfolio managers to be wary of interest rate risks for companies they own. Larger firms that raise debt in bond markets can manage any short-term increase in rates by ensuring their debts have longer dated maturities, thus helping lock in lower rates for longer. When looking at company fundamentals, understanding where current operating margins and debt coverage ratios sit today compared to their historical averages can help identify any pockets of risk when looking at the potential impact of rising short-term interest rates on earnings per share (EPS). Below, we look at operating margins, interest coverage (earnings before interest and taxes/ interest expense), and net-debt-to-total-capital ratios for sectors in the S&P/TSX Composite Index (S&P/TSX) and S&P 500 Index (S&P 500). Using these metrics, we assess how the last 12 months compare with their respective 5-year averages.

S&P/TSX Margins & Interest Coverage vs. 5-yr avg.



Source: Raymond James Ltd.; FactSet Data as of September 30, 2021

For the S&P/TSX, operating margins for the market are currently 26% over the 5-year average. Communication services, industrials, and utilities are the only sectors that are currently sitting below their historical averages in operating margins when compared to historical levels. Materials, consumer discretionary, and health care sector profitability and debt coverage ratios are also sitting comfortably above the 5-year average. Most notably, materials and consumer discretionary sectors also saw net-debt-to-total-capital ratios that are 36% and 16% lower, respectively, when compared to their 5-year averages. The industrials sector was the worst performer, showing declines in profitability and debt coverage ratios when compared to historical averages by 25% and 47%, respectively. We chalk up the lagging metrics for the industrials sector to issues with supply chains and higher input prices, including labour costs.

For the S&P 500, operating margins and interest coverage ratios improved 8% and 5% when compared to its 5-year average. The operating margins for the consumer discretionary, industrials, real estate, and utilities sectors were sitting below historical averages. The materials, information technology, and financial sectors showed the strongest improvement in both profitability and debt coverage ratios. In terms of net-debt-to-total-capital ratios, materials and consumer discretionary sectors are currently 16% and 20% lower, respectively, when compared to their 5-year averages. The industrials sector also proved to be the worst performer for the S&P 500, with operating margins and interest coverage ratios declining 19% and 33%, respectively, when compared to its 5-year averages.

Peter Tewolde, *Equity Specialist*

Cold Temperatures, Hot Inflation

Canadian winters may be cold, but inflation is running hot. Sustained upward pressure on the price of goods and services has caused many central banks (including the BoC and the US Fed) to change their policy stance to one that is less accommodative. Globally, this beats a path to normalization, with reductions in asset purchases and higher interest rates. In this article, we look at US and Canadian rate expectations, benchmark bond yield projections, and provide suggestions on fixed income positioning for investor portfolios.

US Rate Expectations

The Fed recently adopted a more hawkish position to address inflation concerns. It announced the tapering of its quantitative easing program would be sped up and rate hikes may begin sooner than previously targeted. Projections via the dot plot now show that 75 basis points (bps), through three quarter-point rate hikes, could be added to the overnight rate in 2022, versus prior expectations for only one rate hike in the year. This shift in approach could be explained by the higher risk that inflation is posing to the US economy. The Fed acknowledged that COVID-19 related risks remain, and would be prepared to adjust their stance if needed.

Canadian Rate Expectations

When our December 1, 2021 Insights & Strategies was published, Canadian rate hike expectations sat at around 5 quarter-point rate hikes in 2022. Consensus has fluctuated recently, from 6.82 hikes back to five. The swings in this value indicate to us that market participants' opinions are far from clear and thus we cannot rely on their expectations to forecast the future direction of bond yields. However, as rate hike timing becomes more certain, hike forecasts and yields may become more consistent. It is possible that the BoC could enact their first rate hike of this cycle as early as the January 26 meeting, so clarity may arrive soon.

We caution if rate hike expectations remain elevated, there's a risk that there will be fewer rate hikes than projected. Although raising interest rates will help to combat inflation concerns, the central bank must be cautious of the effects higher interest rates will have on other factors, such as currency valuation or housing costs (mortgages). As the BoC raises interest rates, these elements will be watched closely, and policy will be amended if required.

Canadian Yields Projections

Canadian benchmark bond yields are expected to continue increasing in 2022, with short end rates rising more than the long end. Comparing the projected changes in maturities across the curve, three-month rates could climb by 83 bps; whereas, the two-year, 10-year and 30-year terms could see increases of 59, 62, and 45 bps, respectively, over the year (see chart). Looking further out to 2023, rates appear more stable except in the three-month maturity, where yields are expected to rise again. These moves would be a substantial increase to Canadian benchmark yields across the curve, causing spread products to increase in yield as well.

Portfolio Positioning

We remind investors of the inverse relationship of bonds and rates–as rates increase, prices fall. Thus, for existing holders of most fixed income products, your holding's current value may be negatively affected. However, a benefit of bonds is that even if the price of the security fluctuates between purchase and maturity, par value is paid when the bond matures. Thus, those who hold a position to maturity don't need to be as concerned with near-term fluctuations in value. To put cash to work now, we suggest investors look to short-end investments in the two to three-year space. This term balances the benefit of a yield higher than one-year product, allowing for a near-term maturity date and lower duration so you can re-invest at the prevailing rate at the time of maturity.

The projected rise in interest rates, and thus bond yields, is promising, but risks remain. Central bank communication has mostly focused on addressing inflation rather than health issues, but the situation around COVID-19 is ever-changing. We anticipate markets will remain sensitive to headlines and setbacks may occur, but the general trend should be positive in the coming months (and years) for Canadian yields.

Charlotte Jakubowicz CIM, CMT

VP, Fixed Income & Currencies

Strategy team at Raymond James Ltd.

NEWS & EVENTS

Attend Our Free Events & Presentations

Keep an eye out for Cindy's new educational video series.

These short insightful videos will be uploaded to our website when complete. Watch for invite emails or give us a call for more info.

- Back To The Basics: Part 2 & 3
- Pay Off Your Mortgage Smarter
- Women's Only Events
- Understanding Wills, Probate & Estates: Have You Prepared For Your Family?
- The Role of an Executor: Your Obligations & Risk of Personal Liabilities

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

Follow Our Social Media!

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

Click the hyperlinks or copy to a webpage:

www.linkedin.com/in/cindyboury/

www.facebook.com/cindybourypwm/

Cindy is Going to be on TV!

(Left) We're excited to announce that **Cindy will be a guest expert on The Wealthy Life TV show**, which airs on CHEK and Global Television across Canada. The TV air date of Cindy's segment is on January 22, 2022 at 6:00pm PST, where Cindy will lend her expertise on the topic of "Becoming a Philanthropist." Visit www.thewealthylife.com to learn more about this national television show. If you miss it, let us know and we can email you a recording video of the segment.

Making Mousemas Cookies

We Hope You Had a Great Christmas Holiday

(Left) We hope you and your family had a "Merry Mousemas" this holiday season. This photo is the front of the Christmas card we sent out this year to our clients and friends, hand painted by Sheryl Boury in our office. We had so much fun creating this card, and we hope you enjoyed it!

The Abbotsford Flooding

(Left) There are no words for the devastation that occurred in our community during the flooding of Sumas Prairie and the Valley. Cindy reached out to our local Central Fraser Valley Search and Rescue to offer support and help out where we could. They had been working around the clock to help those in need. They were also evacuated and were in need of crucial supplies for their team of dedicated volunteers at their temporary location. We donated pens, notepads, to-go coffee cups, and other supplies, as well as a donation to feed the entire team a hot lunch. Hoping everyone was able to stay safe!

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