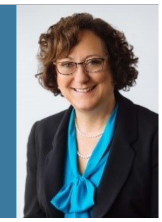
CINDY BOURY FCSI®, CIM®, FMA
Portfolio Manager & Branch Manager

CINDY BOURY PRIVATE WEALTH MANAGEMENT



NEWSLETTER: SECOND QUARTER 2021

Cindy's Insight

Hello to you all! I hope you're feeling the warmth of spring. Wow, what a year it has been. From lockdown to today's new normal, we've all had to make adjustments. I want to share with you some of the key market changes we are anticipating.

Based on the economic cycle, inflation is coming, and in many cases, is already here as things get more expensive at the grocery store, restaurants, and gas pumps. We also expect to see corporate and personal taxes increase on both sides of the border. People may struggle to make ends meet with tax increases, slowly increasing interest rates, and inflation.

Real Estate Restraint

The real estate market is another area of exponential costs. With the expectation of higher interest rates, higher taxes, and higher qualifications to borrow, real estate is late in the cycle. Please be cautious if you are considering buying real estate as there may be sounder investments that are not as stretched and deliver a positive cash flow. I learned years ago that if an investment doesn't carry, i.e., have surplus cash flow, it's too risky and is compromised. You must have extra cash flow to cover costs when things go wrong.

The scarcity we are seeing in the real estate market for single dwelling homes is forcing prices up. Couple this with uninformed buyers who feel the need to buy no matter what, and things get out of control, creating a risky buying environment.

The government may be aware of the looming costs in the real estate market, and is trying to control unlimited leveraging. Their control on borrowing, extra costs added for investment properties, and an expectation of higher interest rates may help slow the retail housing market. At this time, however, most people who are Canadian residents are unable to afford a new entry-level home.

If you have piggy-backed rental real estate, don't have extra cash flow, and are supplementing the cash flow, the only potential for growth is to sell the property for a capital gains profit. Now might be the time to consider reducing some of your loans and paying down debt during these years of low interest rates.

REIT Advantage

A real estate investment trust (REIT), which is a trust that holds real estate, does have positive cash flow and is easy to buy or sell when needed. It does not have the same costs and risks associated with it as with owning your own rental real estate. Real estate with positive cash flow is like a stock paying dividends. Dividends from positive cash flows are paid out tax effectively. You can use this cash flow to buy other investable assets or take it out as needed.

Unless you own your private real estate in a company, the net income is typically taxed as income instead of dividends, unlike a REIT. Increases in interest rates reduce the positive cash flow when real estate is leveraged. If you have an open loan, I suggest you review your options and consider the risks in our current environment.

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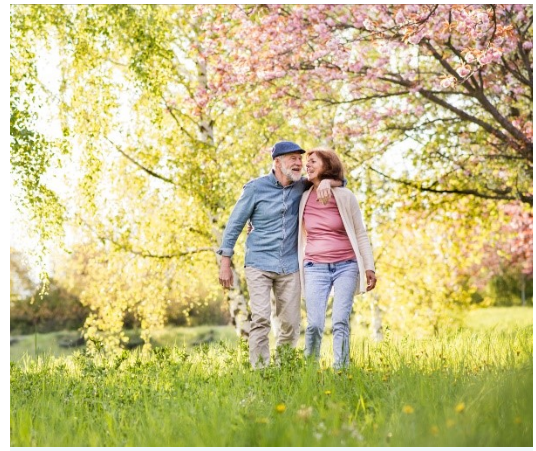


Inside This Issue

...Continued from page 1.

A Look Ahead

For the remainder of 2021, equity is in and bonds are out. We are focused on equity this year and expect to see more curveballs with COVID-19. We are coming out of an economic depression and our placements will reflect this.

According to Scott Brown, Raymond James' chief economist, economic growth in the US and Canada is poised to rebound above-trend in 2021, and strong growth in consumer services will drive GDP growth. This recovery will be delayed in the first half of 2021 in Canada due to the third wave of COVID-19 and slow vaccination progress.

Inflation is also expected to increase moderately in the near term. However, Scott expects, "[the] robust fiscal support provided to date, highly accommodative monetary policy, and strong gains in commodity prices, to bode well for the outlook in H2 [second half]/2021. The consensus expectation for real GDP growth in Canada is 5.0% in 2021 (versus the 30-year average of 2.0%)." He is confident that fiscal stimulus will ensure a recovery in 2022.

People are resilient and are finding their way through this pandemic. While we all miss aspects of our pre-COVID life, I hope you are finding moments of joy in the every day.

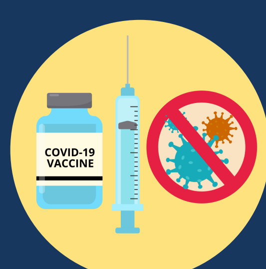
Cindy Boury FMA, CIM®, FCSI®
Portfolio & Branch Manager

Life Insurance FAQs

Q: *"Will receiving a COVID-19 vaccine affect my ability to obtain coverage for life or supplementary health insurance?"*

A: No. A statement released by the Canadian Life and Health Insurance Association Inc. (CLHIA) on March 8, 2021, confirmed that receiving a COVID-19 vaccine will have no effect on the ability to obtain future coverage or existing benefits from life or supplementary health insurance. This applies to individual and workplace policies.

The statement said CLHIA is aware of the misinformation being spread through social media, and Canada's life and health insurers stress that vaccination is one of the most effective ways people can protect themselves from serious illness and death from COVID-19. The vaccines have been approved through Health Canada's independent scientific and medical assessment process, as are all medications approved for use in Canada. You can find the full statement and other insurance industry information on the CLHIA website: **www.clhia.ca**



Florenza Jones
Insurance Representative

Equity Positioning for Rising Rates

Growing up, I was a thrill seeker and I would search for ways to get my adrenaline pumping. While I was too young to go skydiving, I would get my "fix" riding the roller coaster at Canada's Wonderland north of Toronto. I remember my first ride on the Behemoth like it was yesterday. There weren't upper-body restraints, which made me feel like I could fly out of the seat at any point. The steep ascent to the peak was 230 ft above the park grounds, which made people at the park beneath us look like ants. My heart began beating faster and faster as the roller coaster went nearly vertical on our final descent. Before I knew it, we were dropping from the sky at what felt like over 100 km/hour into air time hills, which made you feel weightless, sharp 180° turns, and 360° spirals, creating one of the most memorable and unnerving experiences of my life. Over the past several weeks, investors have had to hold on tight as they navigated through their own adrenaline-pumping experience. The steep ascent in 10-year yields has resulted in elevated levels of volatility across asset classes with sharp declines and abrupt rallies across equities, bonds, commodities, and currency markets.

Given our view that 2021 should see an acceleration in economic activity, rising inflation, and higher interest rates, we suggest investors position their portfolios accordingly by:

1) remaining tactical and using these periods of volatility to add to or initiate new equity positions, as history has shown that in periods of rising yields, equities have performed well and better protected investors from inflation relative to fixed income; and

2) remaining overweight to cyclical sectors which have a strong positive correlation to 10-year yields. Companies in these sectors also tend to experience higher earnings and revenue growth during the early phases of an economic cycle, versus defensive sectors.

Is it Different This Time?

During the 2008-2009 **Great Financial Crisis** (GFC), global policymakers leveraged several key tools to prevent a severe economic slowdown, including 1) zero interest rate policy (ZIRP); 2) quantitative easing (QE); and, 3) credit easing (CE), where central banks purchased government bonds and riskier securities such as corporate bonds and even equities, in some cases. However, while these tools resulted in a substantial increase in liquidity, and led to a strong economic expansion (2009-2020 bull market was the longest on record), they failed to create runaway levels of inflation and higher benchmark yields expected by many. Fast forward to the **COVID-19 crisis**, and global policymakers have utilized much of the same tools as were used during the GFC; however, this time they introduced a new fiscal policy tool, which I like to refer to as FMFA or "free-money-for-all". FMFA would result in freshly printed cash transferred directly from the Treasury - proceeds from the issuance of bonds purchased by the central bank - to households and firms. We believe this level of deficit spending will not only result in a resurgence in economic growth in the years ahead, but it will also lead to higher levels of inflation, and in turn higher yields, than what investors have become accustomed to seeing since the GFC.

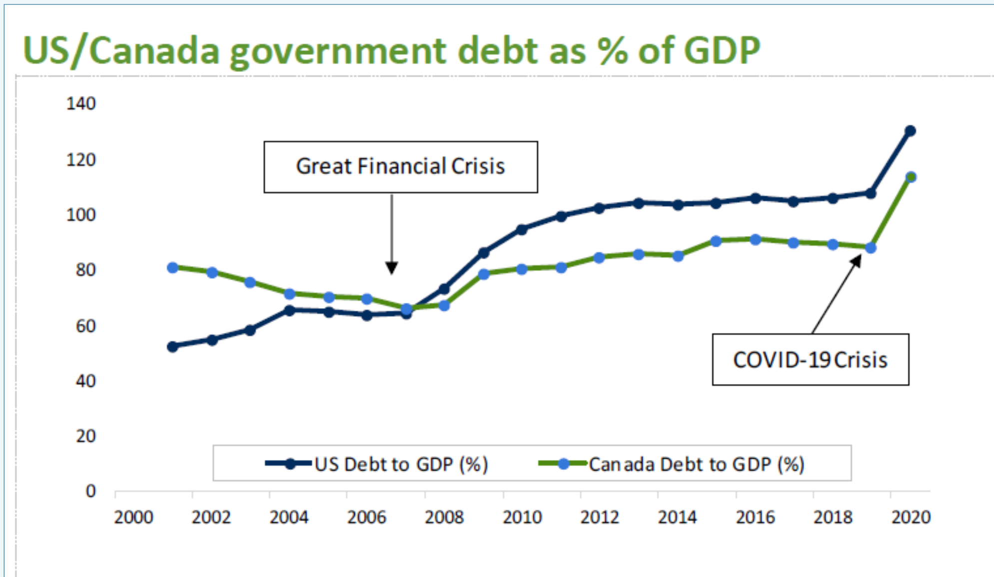
Inflation is Not All Bad For Equities

While the thought of higher yields and rising inflation levels might initially sound daunting for investors, our analysis shows that, during periods of rising yields, equity returns have been mostly positive especially when the rise in yields was the result of an improving economic backdrop versus runaway inflation. For example, during the inflation scare of the 1970s, interest rates rose rapidly as central banks acted swiftly to contain rising levels of inflation, which choked off the growth engine of the economy and in turn pressured equities. For much of the 1990s and 2000s, equity investors faced periods of rising rates and inflation; however, these periods were the result of a strong economic backdrop, which was positive for equity markets. While the recent surge in yields has resulted in considerable levels of volatility and has raised investor concerns, we believe that the rise in yields is the direct result of the strong economic recovery expected for 2021 and beyond. We thus suggest investors remain overweight to equities versus bonds.

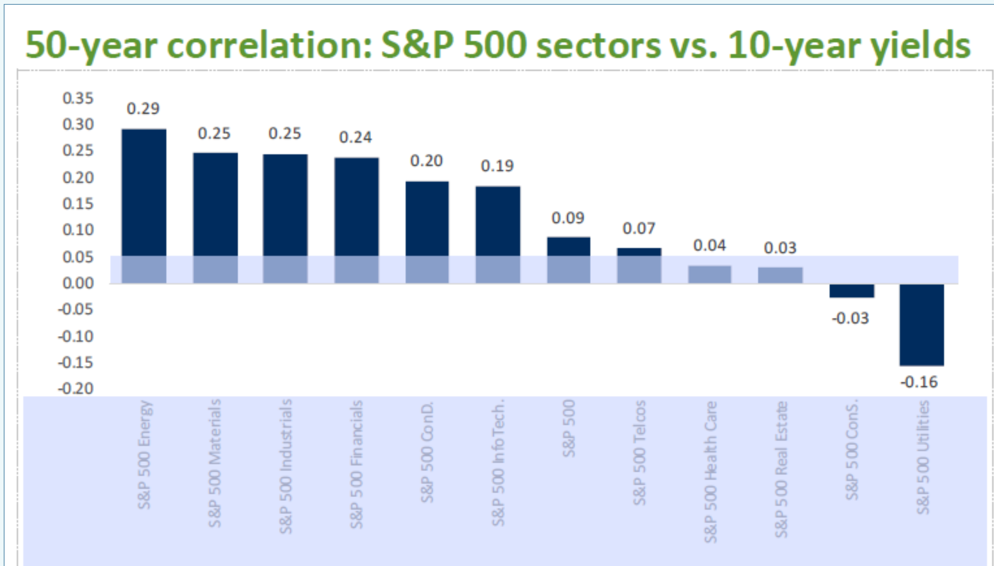
Equity Positioning for Rising Yields

Relative to bonds, equities tend to protect investors better from rising levels of inflation. Companies that can grow their sales and earnings above inflation are likely to outperform in an expansionary and higher inflation/yield environment. Specifically, cyclical sectors such as Energy, Materials, Industrials, Financials, Consumer Discretionary, and Information Technology have been shown to have a strong positive correlation (i.e., move in the same direction) as interest rates over the past 50-years with US 10-year yields.

Nadeem Kassam MBA, CFA
Head of Investment Strategy, PCS Investment Strategy team at Raymond James Ltd.



Source: Federal Reserve Bank of St. Louis (FRED)



Source: FactSet, 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/

April is Cancer Awareness Month

(Above) In support and memory of the many people whose lives have been affected by cancer, each year CBPWM purchases daffodil pins and mails them to our clients and friends. Show your support. Wear a daffodil.

WCAN Celebrates International Women's Day

(Above) Cindy and the rest of the **Women's Advisory Council of Raymond James Ltd**. were proud to raise their hands together in awareness and support. This day is celebrated annually and has occurred for over 100 years. It celebrates the social, economical, cultural and political achievements of women.

"Hello Video" from the CBPWM Team

(Above) We can't believe it has already been over a YEAR since the pandemic began! We wanted to reach out and say "hello" from everyone here on the team, and give you an update on what we have been up to! Go to the videos page on our website to check it out. Enjoy! We can't wait to see you again soon.

We Have a New Website!

(Above) The Cindy Boury Private Wealth Management team has a **BRAND NEW WEBSITE!** For those of you who are clients (either CDN or USA), the Client Access portal to log in to your accounts is still linked for you through the top navigation bar. We will be posting new events and educational videos as we schedule them, so check back regularly.

Click here to view: **www.cindybourypwm.ca**

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