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

CINDY BOURY PRIVATE WEALTH MANAGEMENT

NEWSLETTER: SECOND QUARTER 2023

Cindy's Insight

Happy tulip season everyone! During the last quarter, we saw a lot of concern and movement in the markets. If you hold our stock investments, you know we target companies that are value-based, have sustainable dividends, and grow as the world continues to grow. I use fundamental and technical analysis, as well as private research for our investment portfolios. We model the portfolios, which gives us the ability to rate the risk versus return, and to see if a new position adds value. Short-term forecasting is difficult as COVID-19 and the injection of money from the government have skewed some of the normal reporting.

The Bank of Canada is watching closely and will raise rates if inflation continues to escalate, however, inflation is currently dropping. Interest rates may come down slightly at year end or into next year. The U.S., in contrast, is more aggressive with interest rate increases and we may see another increase.

I've previously referred to the economic cycle (see graph below), and bring it up again because it makes sense to me. As prices for goods increase, taxes increase, and we all have less in our wallets. This results in less buying, creating an economic slow down, which may lead to a recession. After a recession, interest rates drop to stimulate the economy and the cycle starts again.
Companies will borrow to buy new capital, and often infrastructure starts to be rebuilt, such as roads, bridges and other work projects started by the government to hire back people who were laid off during the recession.

Most modern recessions typically last six to 18 months. The average U.S. recession since 1945 has lasted about 10 months, according to the National Bureau of Economic Research (NBER). The longest recession in U.S. history was the Great Depression, which lasted 43 months.

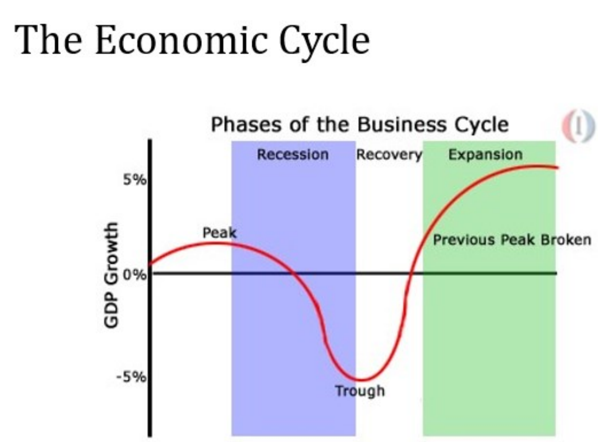

Chart Source: Investopedia. Data in this chart is from sources believed to be reliable, but accuracy cannot be guaranteed.

Often when people need to change direction or make a choice that is negative, i.e., sell a rental at a loss, they do so due to emotional biases. There has been work done on how emotional biases impact investors, and reading is available on this. It's important to understand your own biases, as I've seen many people over the years who are unable to liquidate a position because of their bias, to their detriment.

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Inside This Issue

FINANCIAL TIPS

Reminder...

Maximize Your Annual **RESP**

Contribute up to **$2,500** per child and get a matching grant of 20 per cent. Double up for missed contributions in previous years.

Please contact us if you would like more information or to process a contribution.

CINDYBOURY PRIVATE WEALTH MANAGEMENT | RAYMOND JAMES

...Continued from page 1

My goal is to reduce your volatility and give you steady returns. As many of my retirees know, as we trim or take profit, we move this money into saving, from which retirement income is drawn. This strategy gives you the safety of knowing that no matter what the market is doing, your cash flow is in savings and is replenished on a regular basis.

My opinion is to stay the course, but as always, if you have concerns please call us.

Cindy Boury FMA, CIM®, FCSI®
USA/CDN Portfolio & Branch Manager

Maximizing Your RDSP Benefit

To receive everything you are eligible for with your RDSP (Registered Disability Savings Plan), it is important to file your tax return each year. You will receive an annual Statement of Entitlement to help identify the bonds and grants for which you qualify. The bond received is based on income, and the grants are matching amounts based on your contributions. Contact us if you would like more information: 604-855-0654, or visit Canada.ca/RDSP to read more.

Insurance Q & A

Q: *What is a segregated fund?*

A: Segregated funds are similar to a mutual fund, but offer an added layer of protection through the maturity and death benefit guarantee. The maturity benefit is the greater of the maturity guarantee amount which is calculated as 75 per cent or 100 per cent of all deposits—reduced proportionately for withdrawals—and the market value of the contract. If the market value of the contract is less than the maturity guarantee amount, the insurer will top up the difference.

The death benefit offers the same advantages as the maturity benefit for your beneficiary. Depending on your age at the time you open the contract, you have a choice between 75 per cent or 100 per cent guarantee.

Segregated funds are a great tool for estate planning as they allow you to name a beneficiary. Unlike mutual funds, GICs, and other investments, segregated funds with a named beneficiary do not form part of your estate. Death benefits are paid directly to your beneficiary without waiting for probate, as funds are not part of your will. These funds give you privacy for your end of life wishes, and help reduce estate fees.

Segregated funds have a higher Management Expense Ratio (MER) than mutual funds due to the insurance component of the guarantees. The funds are an insurance product, and can only be sold by licensed insurance representatives.

Florenza Jones
Insurance Representative

March Madness

Fed has, historically, tightened until something breaks, so we suppose we can declare mission accomplished after the Silicon Valley Bank (SVB) and Signature Bank failures. The failure of SVB, which marks the second-largest bank failure in U.S. history, unnerved many U.S. regional bank deposit holders and shareholders. U.S. regional banks experienced deposit outflows, while large money-centred banks like JPMorgan and Bank of America experienced inflows. The iShares U.S. Regional Banks ETF slipped over 30 per cent in March.

To stem the flow of deposits and avoid additional bank failures, the Fed stepped in to provide liquidity by announcing a new emergency lending program, the Bank Term Funding Program (BTFP), designed to ease pressure on the banking system. In addition, the U.S. treasury department implicitly suggested all regional deposits were safe, though Yellen would later walk back any explicit government guarantee of uninsured deposits.

There are a few takeaways from SVB's failure. First, SVB was somewhat of a unique situation and offered a lesson on why diversification is a key ingredient in mitigating risk. SVB focused on cash-hungry technology start-ups that needed their money on demand. Unfortunately, SVB invested the majority of those cash deposits in long-dated bonds. This ended up being a toxic combination or, in industry terms, a mismatch between assets and liabilities.

To meet the shortfall, SVB unloaded long-dated U.S. treasury bonds at a significant loss, which spooked deposit holders and caused a run on the bank. While U.S. treasuries are a safe investment, bonds with longer terms to maturity may see larger price fluctuations. As well, if an investor sells before the bonds mature, it can result in a loss. As technology firms faced more challenging capital markets, they began to draw down more rapidly on deposits at SVB. Deposits at the bank accounted for about 90 per cent of funding versus the 65 per cent average for banks, leaving SVB susceptible to funding shortfalls. Essentially, SVB was being hurt on both sides, as tech firms needed cash and withdrew their deposits at a time when SVB investments were severely impacted by the rapid increase in interest rates. However, the troubles facing the U.S. regional banking industry are both a risk and perhaps a silver lining for markets.

Silver Lining

The second takeaway is the impact on monetary policy. The Fed has a dual mandate—to pursue the economic goals of maximum employment and price stability. A good old-fashioned bank run would have severe negative implications for both employment and price stability, so it is in the Fed's best interest to avoid such a crisis of confidence. The market is doing some of the Fed's work as financial conditions have tightened (banks less willing to lend). This will slow the economy and address the Fed's most significant concern: inflation. An economic slowdown and easing inflationary pressures may give the Fed good reason to slow or even pause its rate hiking cycle. The market has massively repriced Fed rate hike expectations. The Fed funds rate outlook fell from above 5.4 per cent to 4.0 per cent in a matter of a day! A slower pace of hikes or even a pause may provide a tailwind for risk assets. If market participants know the Fed is done raising rates and they are reasonably comfortable with earnings expectations, they can punch these estimates into their Excel models to arrive at fair value for the market.

Threading the Needle

A Fed "pivot" is not without risk. A pivot may mean there is an increased probability of recession, or it may give the economy enough wiggle room to engineer the highly sought-after soft landing.

Recession predictions are all over the map, from we're in a recession now to there will be no recession. While recession probabilities have risen in recent weeks, it is hard to conclude that we are in a recession today, given employment and consumer spending data. The onset of the most well-telegraphed recessions in the history of recessions remains a wild card, and we suspect it is the primary driver of the recent uptick in the bond and equity market volatility.

Bottom Line

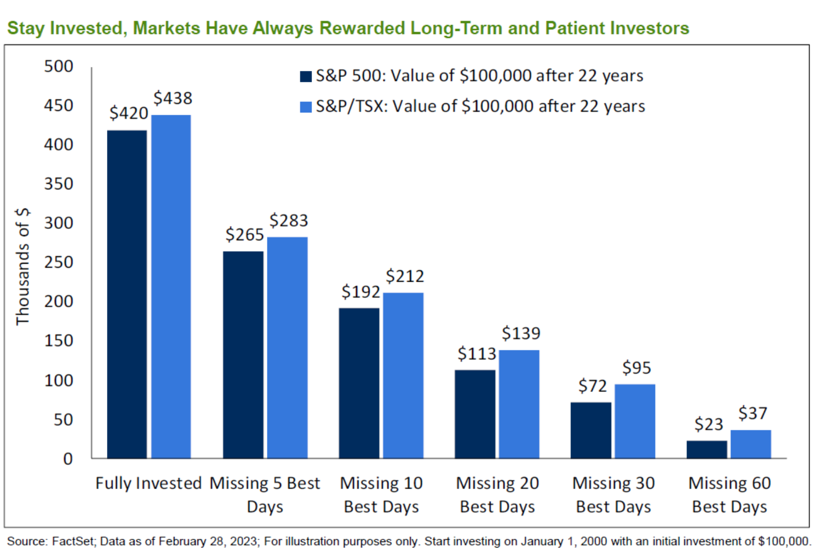
This is not the Fed's first rodeo. They have a playbook for dealing with the financial plumbing issues that have spread to the U.S. regional banks. So while bank runs and failures dominate the headlines, we are confident we are not heading towards a repeat of the Global Financial Crisis (GFC).

We remind investors that the best and worst days in the market tend to be clumped together, and attempting to time the market can negatively impact your long-term returns. Take the S&P 500 index as an example. Over the past 22 years, if an investor were out of the market for the best 20 trading days, their annual return would be almost zero! Miss the best 10 days, and your annual return is 3.0 per cent compared to 6.7 per cent for a buy-and-hold strategy. Nonetheless, headlines and heightened recession concerns are driving a spike in volatility, and investor sentiment is squarely in the pessimism zone.

According to the Bank of America Global Research Fund Manager Survey, positioning is largely defensive, with high allocations to cash, healthcare and staples. The strong appetite for defensive sectors has pushed up valuations, while unloved cyclical pockets like consumer discretionary trade at a meaningful discount. The contrarian will want to swim against the tide, as is often the case when pessimism is high. Patient long-term investors can benefit from such dislocation in the market. As we discussed heading into 2023, uncertainties will remain, including the path forward of inflation and interest rates. However, we believe investors should focus on what is in their control – i.e., allocating capital towards global investments that offer compelling risk/reward – versus focusing on the uncontrollable, examples of which are many.

- Private Client Solutions (PCS) Strategy Committee of Raymond James Ltd.

Avoid Temptations to Time the Market



Source: FactSet; Data as of February 28, 2023, For illustration purposes only. Start investing on January 1, 2000 with an initial investment of $100,000, Raymond James Financial; FactSet; Data as of February 28, 2023.

News & Events

Share documents with your advisor through the Client Access site!

If you have online access, you can now upload documents to share with your advisor, and we can do the same when sharing files with you! It's easy and secure.

Let us know if you have any questions about this new feature. If you don't currently have online access but would like to see your accounts online, let us know!

Open House on May 11

You are invited! Drop by the office on **Thurs. May 11th between 1pm and 3pm** for coffee and treats at our **Open House**. Feel free to bring a friend.

RSVP by May 3rd at 604-855-0654 or jenny.donegan@raymondjames.ca

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/

Aspire Magazine

The March issue of Raymond James' Aspire Magazine features the 2022 Women of Distinction award winners, in which Cindy is included. [Click here] to read the full article or contact us for a copy.

2023 Consumer Choice Award Winner

Cindy Boury PWM is the sole winner of the 2023 Consumer Choice Award for business excellence in Wealth Management for the Fraser Valley. This award was established in 1987 and uses independent market research to determine brand reputation, customer satisfaction and business excellence.

International Women's Day Celebration

On March 8th, International Women's Day, Cindy and daughters, Sheryl and Susan, were featured in the Abbotsford News Women in Business section to showcase the achievements of women in our community. Cindy also sat on a panel at the Women Soaring Conference, which focused on advocacy in action and the power of allyship—valuing diversity, equity and inclusion.

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