



In This Issue: Interest Rate Outlook, Investment Market Commentary, Canada Deposit Insurance

Interest Rate Outlook

The US Federal Reserve made its 3rd increase to the Federal Funds Rate this year, and with record-low unemployment and inflation trending higher, the bond market has been insisting on higher yields.

The first graph at the right shows the yield on 2-Year US Government bonds over the past year, rising relatively smoothly as the Fed has hiked rates (source: cnbc.com). Though the rise in yields has been relatively smooth, the total increase of about 1.3% represents more than 40% increase in yield over the period.



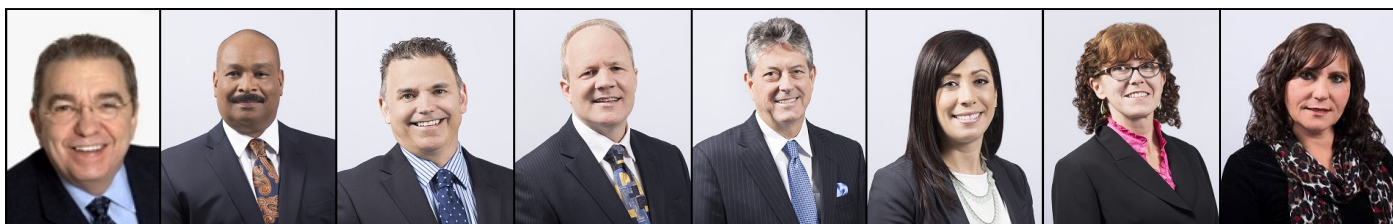
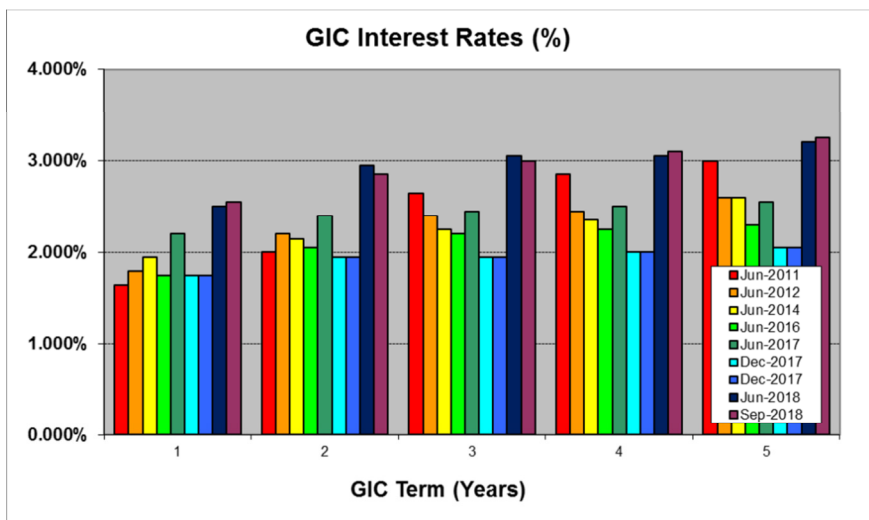
The second graph shows the yield on 10-Year US Government bonds over the same period. This market has been much more volatile. The resolution in principle of the NAFTA negotiations at the last day of September may have removed enough perceived economic risk to reduce demand for safer assets such as bonds and gold (also declining in price most of this year).



Top GIC rates also continued their gentle increase this quarter, as you can see from the graph to the right which shows current and historical rates for each of 5 terms (source: Cannex Information Exchanges). The spread between 1 and 5-year terms remained constant at 0.7%.

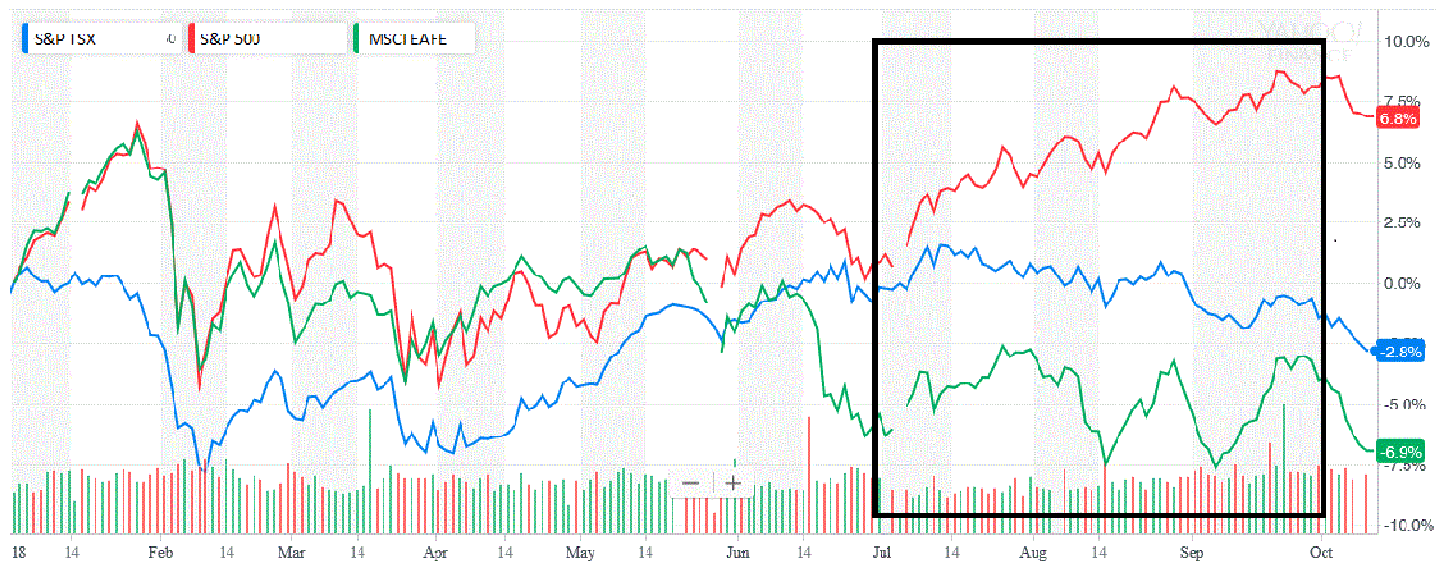
GICs are an excellent portfolio holding for short time horizons because there is no risk of decline on the principal, and the interest income is guaranteed.

We are able to obtain wholesale rates from over 20 issuers, considerably higher than posted rates in bank branches. All issuers we use are members of the Canada Deposit Insurance Corporation (CDIC), which recently increased its coverage limits (see back page).

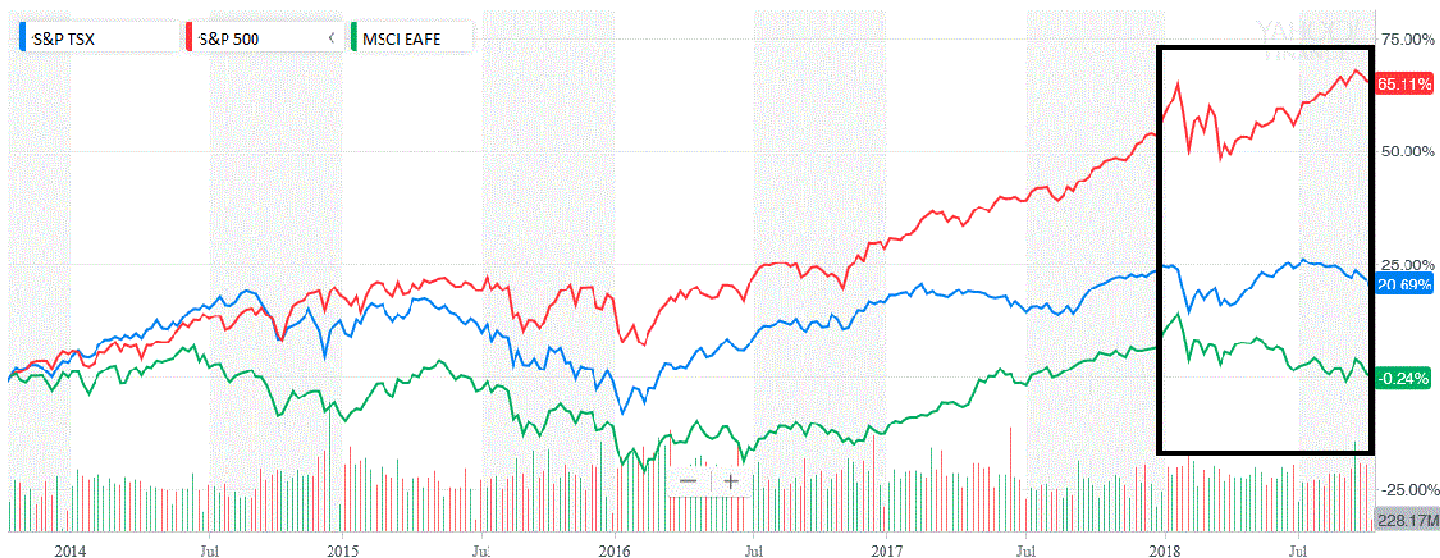


Investment Market Commentary

Trade war tensions hung over the third quarter of 2018, seeming not to hurt US equity markets but depressing Canadian equities and causing huge swings in international markets. Both Canadian and international equities ended the quarter in single-digit loss territory for the year. The graphs below show price values of three benchmark indices, with a box around the third quarter (source: Yahoo Finance).



For perspective, we also show the same series since January 2014, with a box around the current year.



Despite the apparent resolution in principle of the NAFTA negotiations, global trade tensions continue to pose a risk to continued growth. While economists generally expect that tariff impacts should be quite limited in the short term, the tariff battle between the US and China shows no signs of progress, and will begin to impact the global economy as it drags on. US mid-term elections slated for later this fall should also be expected to cause market volatility.

On the next page is our regular table showing historical returns of various stock and bond market indices.

Notable this quarter are a couple of bright spots for the Canadian equity market, with industrial, healthcare and technology sectors contributing the most to sustain market value in the face of weakness in the materials and gold sectors which comprise a significant part of our domestic market and have left Canadian small-cap equities down over 4% this year.

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Another notable development this year is the selloff in Emerging Market (EM) equities, also down over 4% this year. Here are some comments from Guardian Capital on this topic:

“The pace of the selloff in the EM moderated in Q3 and the declines were more selective in a sign that concerns over broad, systematic issues throughout the region have ebbed — in contrast to Q2 when 22 of the MSCI Emerging Markets index component countries posted declines in US dollar terms, just 10 moved lower over the last three months with the laggards being those regions with elevated country-specific risks (the worst performer in Q3 was Turkey while China was among the biggest losers). Indeed, investor sentiment on the region has turned for the better of late, with EM recently seeing positive fund inflows again — though it more resembles a trickle than a tidal wave.

The grouping has become attractive from a valuation perspective. With the broad EM index trading at 12x forward earnings, it is in line with its own historical averages while its 40% discount relative to DM [developed markets] stocks is at an extreme. The price-to-book ratio, the most useful valuation gauge for EM, at 1.6x is in middling territory at a time when the rising return on equity for the group justifies a rising multiple. Finally, the 2.7% percent dividend yield on offer exceeds what is available in DM and rivals what is available in bond markets, pointing to opportunities for income pickup as well.”

Index Total Returns in Canadian Dollars for Selected Periods ending 30 Sep 2018 (Guardian Capital).

Canadian Dollar (\$US/\$CA)	0.85%	1.73%	-3.09%	-3.59%	0.66%	1.14%	-4.50%	-1.98%	0.28%	0.83%
Index Returns to 2018Sep30 in C\$	1M	3M	YTD	1Y	2Y	3Y	5Y	10Y	15Y	20Y
Canada										
Fixed Income										
91d T-Bills	0.11%	0.31%	0.92%	1.15%	0.81%	0.69%	0.76%	0.84%	-	-
FTSE TMX Short Term Bond	-0.20%	0.01%	0.54%	0.82%	0.06%	0.71%	1.61%	2.80%	-	-
FTSE TMX Universe Bond	-0.97%	-0.96%	-0.35%	1.66%	-0.68%	1.60%	3.26%	4.44%	-	-
FTSE TMX High Yield Bond	0.23%	1.04%	3.90%	6.38%	8.81%	9.21%	6.10%	7.48%	-	-
Major Equity Indices										
S&P/TSX Composite	-0.89%	-0.57%	1.36%	5.87%	7.52%	9.70%	7.80%	6.30%	8.18%	7.99%
S&P/TSX SmallCap	-1.34%	-2.81%	-4.42%	0.07%	0.64%	11.21%	4.24%	4.98%	4.14%	-
S&P/TSX Composite Dividend	-1.16%	-0.57%	0.75%	5.24%	7.75%	11.13%	8.52%	-	-	-
S&P/TSX Equity Income	-1.25%	-0.11%	-2.08%	1.33%	5.65%	9.62%	5.31%	7.41%	-	-
S&P/TSX Capped Cdn. Sectors										
Cdn. Energy	-2.17%	-5.74%	2.02%	4.12%	0.66%	7.71%	-3.38%	-1.99%	5.15%	-
Cdn. Materials	-1.26%	-12.93%	-10.09%	-5.59%	-4.72%	12.36%	0.61%	-1.15%	4.90%	5.19%
Cdn. Industrials	0.14%	5.23%	12.70%	18.48%	19.48%	18.25%	15.32%	13.37%	11.35%	9.69%
Cdn. Consumer Discretionary	-4.42%	-7.96%	-4.71%	-0.39%	8.98%	7.06%	12.21%	11.93%	8.88%	8.16%
Cdn. Consumer Staples	-0.52%	-2.32%	-3.38%	1.57%	1.39%	4.67%	14.31%	14.44%	9.91%	12.45%
Cdn. Health Care	13.05%	33.76%	37.03%	100.96%	28.74%	6.24%	12.26%	18.09%	6.83%	6.95%
Cdn. Financials	-0.08%	3.79%	2.25%	8.12%	13.68%	13.52%	11.70%	9.59%	10.37%	-
Cdn. Information Technology	0.03%	3.00%	24.91%	29.53%	21.12%	19.29%	21.33%	14.07%	8.88%	-
Cdn. Telecommunication Services	-0.52%	3.47%	0.03%	4.05%	7.59%	12.15%	12.45%	11.89%	11.99%	9.71%
Cdn. Utilities	-1.23%	-0.26%	-6.49%	-4.04%	1.49%	6.28%	7.03%	6.61%	7.97%	8.37%
Cdn. Real Estate	-0.48%	3.86%	9.34%	15.92%	10.34%	10.84%	12.29%	11.49%	11.12%	10.66%
Global Gold	-1.60%	-19.12%	-20.31%	-20.50%	-18.63%	8.42%	-1.62%	-4.33%	-0.62%	-
Global Mining	1.65%	-10.37%	-6.06%	2.74%	3.48%	14.06%	1.61%	0.44%	-	-
U.S.										
S&P 500 (LargeCap)	-0.28%	5.88%	14.08%	22.31%	17.48%	15.98%	19.31%	14.23%	9.34%	6.54%
Russell 2000 (Small Cap)	-3.23%	1.82%	15.06%	19.53%	17.18%	15.80%	16.30%	13.36%	9.81%	8.55%
International										
MSCI World (Net)	-0.29%	3.20%	8.79%	15.38%	13.90%	12.26%	14.43%	10.75%	7.84%	5.28%
MSCI Europe	-0.47%	-0.87%	1.24%	4.07%	10.36%	7.14%	9.20%	7.62%	7.16%	4.49%
MSCI Japan	2.30%	2.05%	5.14%	14.70%	11.76%	11.24%	12.15%	8.35%	5.38%	4.23%
MSCI EAFE (Net)	0.02%	-0.36%	1.71%	6.57%	9.89%	8.00%	9.33%	7.51%	6.50%	4.34%
MSCI EM (Emerging Markets)	-1.33%	-2.63%	-4.44%	3.27%	9.89%	11.50%	8.89%	7.90%	9.71%	9.27%

This information is not intended to provide specific personalized investment, financial, legal, accounting or tax advice. Please contact us to discuss your particular circumstances.

Canada Deposit Insurance Corporation – Increased Limits

Canadians holding deposits with chartered banks and trust companies have long enjoyed protection against the loss of their deposits if the institution holding the deposit should become insolvent or fail.

This coverage was increased from \$60,000 per depositor per institution to \$100,000 back in 2005, and since then there have been separate coverage categories created for RRSPs, TFSAs, joint accounts, and trust accounts.

The image alongside is taken from a new brochure from CDIC showing the 7 separate categories of account types covered per institution.

Many of our clients have balances well in excess of these limits in one or more of the categories covered. Fortunately, we act as Deposit Brokers through Worldsource Financial Management Inc., and are able to place deposits with over 20 CDIC-insured issuers, to make sure all of your deposits are covered

Worldsource offers self-directed RRSP, RRIF and TFSA accounts to allow you to hold multiple issuers together in the same account, alongside any mutual fund holdings for simplified administration and reporting. We can also place deposits in your own name directly with an institution if you prefer.

If you have GIC holdings with us, we will include the abbreviated CDIC brochure with the letter we typically mail to advise of upcoming maturity dates.

What's covered?

- Savings and chequing accounts
- Guaranteed Investment Certificates (GICs) and other term deposits with original terms to maturity of five years or less

What's not covered?

- Mutual funds, stocks and bonds
- Foreign currency (eg, \$U.S.)

To identify a CDIC member look for this symbol

Add up your coverage!

We protect deposits in CDIC members to help with your savings goals. If you deposit money in savings accounts, chequing accounts or GICs and other term deposits (of five years or less), it is protected for up to \$100,000 in each of the categories below.

	You	\$100,000 (in your name alone)	=	 Your total protection in <u>each</u> CDIC member
	You and another	\$100,000 (joint total)		
	Your savings in trust	\$100,000 (for each beneficiary, includes RRSPs)		
	Your tax-free savings	\$100,000 (TFSA)		
	Your retirement savings	\$100,000 (RRSP)		
	Your retirement income	\$100,000 (RRIF)		
	Your property taxes	\$100,000 (for mortgaged property)		



we can help you earn more!

Feedback

We hope you've enjoyed this newsletter. Your comments are important, and they are very valuable to us. Please let us know any ideas you may have for improving the newsletter, or topics you'd like to see in future issues. Email us at contact@askpage.com. PS - You can receive this newsletter by email – just ask and we'll put you on our list!

Mutual Funds and Segregated Funds provided by the Fund Companies are offered through Worldsource Financial Management Inc. Other products and services offered through Page and Associates Ltd. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.