

Issue 6

SEVERAL UNCERTAINTIES

Stocks bounced back this week recovering from the previous week's correction with most of the excitement coming after the Fed announcement. The Federal Reserve updated their secondary market corporate credit facility (SMCCF) to include the purchase of individual corporate bonds. This acts as part of a \$250 billion-dollar program funded by the CARES Act, which was approved back in March. The idea is to backstop corporations and their employees and to ensure that the market functions properly. The U.S. May retail sales also gave the markets a boost this week with results showing a surge of 17.7% in the biggest monthly jump ever. The stock market, so eager to put the entire blow from the pandemic behind it, is now coming to terms that a "V-shaped" recovery might be too rosy a scenario.

With recent spikes in coronavirus cases and fluctuations in the economic data, the market seems to be stuck in a range amid elevated volatility. The market has been priced for a continuation of improvement and that seems to be overstating what's going to happen. As of Sunday, the U.S. seven-day average of new COVID-19 cases increased more than 24% compared to a week ago, according to John Hopkins University data. Cases are growing by 5% or more in 25 states across the U.S., including Arizona, Texas, Florida and Oklahoma. In Texas, there have been 2,913 people currently hospitalized with COVID-19 based on a seven-day moving average, a 37% increase compared to a week ago. The rally in those popular reopening trades such as airlines, cruise lines, and hotels is seemingly losing steam as coronavirus cases increase.

While the flattening virus curve has played a big role in the market rebound and it is comforting to have the Fed's support, however, the central bank can only do so much to ease investor fears. The Federal Reserve cannot prevent the volatility we're seeing in stocks. It will likely take years for the economy to fully recover and there remain other uncertainties on the path ahead. It is becoming increasingly apparent that investors will continue to struggle with this mismatch between markets and the economy before seeing the case for new highs. Federal Reserve Chairman Jerome Powell himself warned about significant uncertainty even with all the stimulus they have been providing. Powell told the Senate Banking Committee that while some indicators have shown improvement, there's still a long way to go as the economy regains its footing from the coronavirus pandemic. The levels of output and employment still remain far below their pre-pandemic levels, and skepticism remains about the timing and strength of the recovery.

One of the uncertainties that remains affecting investor sentiment and the volatility we have been seeing is the November Presidential election. This is an uncertainty that will continue to affect the markets in one way or another for the months to come. Over the past weekend in Tulsa the President, Donald Trump, held his first campaign rally since March after the coronavirus pandemic suspended the campaign trail. The timing of the president's rally on the weekend of Juneteenth also comes at a time where there have been weeks of nationwide protests against racism and police brutality. In this lighter than expected rally in terms of attendance, Trump unleashed months of pent-up grievances about the coronavirus, which he recited as the "Kung Flu," a racist term for



**Jerry S. Basran, BBA, CSWP,
CIWM, FCSI**

Senior Vice President
Investment Advisor
T: 604.643.7346
E: jbasran@cgf.com

jerrybasran.ca

MARKET SUMMARIES

(at Friday's close)

S&P/TSX Composite **down 0.04%** at 15,474.20 (**down 9.31% ytd**)

S&P/TSX Venture **up 1.60%** at 567.20 (**down 1.79% ytd**)

S&P 500 **down 0.56%** at 3,097.74 (**down 4.12% ytd**)

Dow Jones Industrial Avg. **down 0.80%** at 25,871.46 (**down 9.35% ytd**)

Nasdaq Composite **up 0.03%** at 9,946.13 (**up 10.85% ytd**)

Metals

Gold: \$1755.20

Silver: \$18.01

Copper \$2.61

Energy

Brent Crude Oil: \$39.46

WTI Crude Oil: \$41.84

Natural Gas: \$1.80



COVID-19, which originated in China. He also tried to defend his handling of the pandemic, even as cases continue to surge in many states, including Oklahoma.

Elsewhere, as some Canadians grapple with whether it's safe to return to their jobs, provinces are going ahead with reopening plans that will see more Canadians getting back to their workplaces. As businesses start calling their employees back to work, provincial labour laws are about to get tested as authorities try to balance the economy with keeping workers safe from the pandemic. In his first speech as governor of the Bank of Canada, Tiff Macklem says there will be long-term economic damage from the COVID-19 pandemic as the country charts a "prolonged and bumpy" course to recovery. The governor warned that Canadians shouldn't expect the short and sharp economic bounce-back expected over the coming months to last. The combination of uneven reopening's across provinces and industries, the unknown course of consumer confidence, and unemployment rates will "likely inflict some lasting damage to demand and supply," Macklem said in a speech Monday.

IN THE WEEK AHEAD

As we have said in the past couple weeks the recovery will likely be prolonged and bumpy. There are still several uncertainties that will somewhat oscillate the markets and the volatility as the economy reopens. Everyone's job will not come back as entire sectors of the economy have shuttered in addition companies will with certainty assess required layoffs once the Federal government sponsored (PPP) bailout program expires. We will continue to see dislocations in the ongoing reporting of employment, consumer confidence and other leading economic indicators. Q2 GDP is projected to be one of the worst quarters we have ever seen in history. Market dips will continue, and the recent correction is validation of the fact that investors are growing increasingly skittish as the economy is improving much faster than predicted. We continue to patiently look for buying opportunities during these volatile periods in the weeks and months ahead.

Our quote of the week is from famous value investor and American businessman Mohnish Pabrai.

"The only way one should buy stocks is if you understand the underlying business. You stay within the circle of competence. You buy businesses you understand."

FINANCIAL PLANNING TIP OF THE WEEK

It is important to have a contingent beneficiary on your registered accounts to avoid the cost of probate.



theBasran
WEALTH MANAGEMENT GROUP



BWMG TEAM

Jerry S. Basran, BBA, CSWP, CIWM, FCSI

Senior Vice President, Investment Advisor

T: 604.643.7346

E: jbasran@cgf.com

Navin Basran

Investment Associate

T: 604.643.7081

E: nbasran@cgf.com

Alicia Wu

Investment Associate

T: 604.643.7348

E: alwu@cgf.com

Cole Mattila

Business Development Associate

T: 604.643.7568

E: cmattila@cgf.com

Strategic Partners

Paul Marion, CHS, CLU

Managing Director- Wealth & Estate Planning Services

Anne Jackson, BBA, CMA

Wealth & Estate Planning Specialist

CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP., MEMBER-CANADIAN INVESTOR PROTECTION FUND AND THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

This newsletter is solely the work of the author for the private information of clients. Although the author is a registered Investment Advisor at Canaccord Genuity Corp., this is not an official publication of Canaccord Genuity Corp. and the author is not a Canaccord Genuity Corp. analyst. The views (including any recommendation) expressed in this newsletter are those of the author alone, and are not necessarily those of Canaccord Genuity Corp. The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter. The preceding information is for general information only and does not constitute tax advice. All investors should consult with a qualified tax accountant.

Tax & Estate advice offered through Canaccord Genuity Wealth & Estate Planning Services.