

Issue 8

## SIDEWAYS TRADING

Optimism around continued monetary and fiscal policy, Covid-19 vaccines, and the economic data being better as of late continues to support the broader market. The Dow Jones Industrial Average rose 811.81 points, or 3.2% to 25,827.36, while the S&P 500 gained 4% to 3130.01, and the Nasdaq Composite climbed 4.6% to 10,207.63 to close the week at an all-time high. The market's good week was followed by a pretty bad one, which was preceded by a good one, which was preceded by a bad one. In all of this back and forth week-to-week, the S&P 500 has advanced just 1.6% since June 2, a reflection of all that is happening in the world today with flailing markets right now.

In the past couple of weeks, we have seen economic data come out better-than-expected. However, these jobs numbers and the unemployment rate seems to be blatantly understated. When the coronavirus first hit, the surge in unemployment was concentrated in sectors where workers had to be in close physical proximity to customers; restaurants, bars, hotels, casinos, live sports, medical offices, passenger transportation, retail, and personal services such as barbershops. The restrictions crushed demand and caused employment in those sectors to drop significantly between late February and April. By the end of April, the rate of new infections seemed to have peaked, trillions of dollars of federal income support had started to be disbursed, and states and cities were getting ready to reopen their economies. As consumers made it back to retailers and diners started coming back to restaurants, it was apparent that the economy had hit bottom and the expansion of the business cycle had begun.

The surveys used to construct the jobs data were conducted June 7 and 13, which happens to have been the week just before the latest wave of coronavirus outbreaks erupted across our neighbour down south. If you dig into the jobless claims report, you would find that the total number of people claiming unemployment benefits in all programs rose by 916,000 in the week of June 13, taking the total number of claimants to 31.49 million. This is nearly double the 17.75 million "officially" unemployed based in the jobs report. You have to be actively looking for work to be classified as "officially" unemployed, but you don't need to do so in order to claim benefits right now – hence why the economic data coming out is understated. This better-than-expected economic data is overshadowing the risks associated with rapidly rising Covid-19 cases in the US.

The new outbreaks have already affected consumer behaviour in some of the hardest hit regions, while local governments across the US are now in the midst of re-closing parts of their economies. A record of 52,000 new cases were reported in one 24-hour period this past week and not just because of more testing as Trump says. As states continue to roll back or delay their reopening's the recovery timeline is ultimately going to be extended. This accelerating spread of the virus threatens to derail the jobs recovery, however, even without the virus there are plenty of uncertainties that still remain and could be a factor of the volatility we could potentially see in the markets.

This year is one of every four as it entails an election year in the US and as history suggests, the stock market tends to weaken particularly in an election year. Investors may soon turn their attention to the 2020 elections and the increasing likelihood of a "blue wave" that would give the presidency to Joe Biden and both houses of Congress to



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

Senior Vice President

Investment Advisor

T: 604.643.7346

E: [jbasran@cgf.com](mailto:jbasran@cgf.com)

[jerrybasran.ca](http://jerrybasran.ca)

## MARKET SUMMARIES

*(at Friday's close)*

S&P/TSX Composite **down 0.16%** at 15,596.75 (**down 8.60% ytd**)

S&P/TSX Venture **up 0.88%** at 633.02 (**up 9.61% ytd**)

S&P 500 at 3,130.01 (**down 3.12% ytd**)

Dow Jones Industrial Avg. at 25,827.36 (**down 9.50% ytd**)

Nasdaq Composite at 10,207.63 (**up 13.76% ytd**)

### Metals

Gold: \$1789.80

Silver: \$18.59

Copper \$2.76

### Energy

Brent Crude Oil: \$42.80

WTI Crude Oil: \$40.54

Natural Gas: \$1.83



the Democrats. President Donald Trump has slipped badly in the polls and is now given less than a 40% chance of winning the White House.

In Canada this past week, the S&P/TSX rose 2.7% on a rise in oil and gold prices. However, some of the sectors with the biggest influence on the benchmark, such as energy and financials, haven't recovered even half of their bear-market declines. With all the money that has been and continues to be printed, there might be room for gold miners to rise as investors continue to seek haven assets. The US elections could be a big source of stress and volatility for markets which in turn could be positive for the price of gold and mining companies. Regarding economic data this past week, April's GDP showed that Canada's economy contracted 11.6% MoM as every industrial sector was down. Statistics Canada says the economy saw its largest monthly drop on record in April as it came to a near standstill due to the coronavirus pandemic. Prime Minister Trudeau will update the country on the state of Ottawa's finances on July 8, after a plan to present the federal budget was sidelined in March as the novel coronavirus continued to spread.

## WHAT'S AHEAD

Earnings season is just around the corner and we expect to see challenging results overall. From a macro perspective we continue to see geopolitical global rising friction, growing fractures in US relationships with its allies, and domestic social unrest. The rising numbers of Coronavirus cases will certainly continue to weigh on economic uncertainty in the weeks and months ahead. Through all of this, Americans are facing what will likely be characterized as the most critical election in modern day history. The markets are optimistically looking through all of this, and we feel that they are overextended in the near term.

Our quote of the week is from American economist, Benjamin Graham.

**"The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go."**

## FINANCIAL PLANNING TIP OF THE WEEK

An integral step in your Estate Plan in addition to creating a Will and naming an Executor, is setting up a Power of Attorney. A Power of Attorney (POA) is a document that grants a person (called the "attorney") the legal power to take care of the granting adult's financial and legal affairs. It does not give the attorney any power to make decisions about the adult's health care or personal care, nor does it let the attorney change the adult's will.

Three types of powers of attorney are commonly used, each for a different purpose:

1. General Powers of Attorney
  - Broad powers, ends if donor of power becomes mentally incapable
2. Specific Powers of Attorney
  - Limits the attorney's power to a specific task, property, etc.
3. Enduring Powers of Attorney
  - Broad powers like the general POA, but does not end if donor becomes mentally incapable



## **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*

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