

UNCERTAINTY CLOUDING THE MARKETS

Markets opened after Labour day with anxieties over whether the tech meltdown would continue, and it did. On the week, the S&P 500 slipped 2.5%, to 3340.97, the Dow Jones Industrial Average lost 1.7%, to 27,665.64, and the Nasdaq Composite fell a whopping 4.1%, to 10,853.55. At Friday's close the continuing tech sell-off drove the Nasdaq Composite to its worst week since March. Big Tech was also down sharply week to date. Facebook and Amazon each lost more than 5% this past week. Apple and Netflix slid 7.4% and 6.6%, respectively. Alphabet and Microsoft were both down more than 4% last week while Tesla plunged 10.9% for the week. Markets continue to struggle finding an equilibrium as this market is similar to the emotional swings of March and April than in recent months.

In Canada, last weeks stocks were flat, posting their second consecutive week without gains. A better-than-expected economic rebound was highlighted by the Bank of Canada in the statement that accompanied its decision to keep its policy rates steady. The Bank of Canada on Wednesday announced it will be maintaining its target for the overnight rate at the effective lower bound of ¼ percent. The Bank is also continuing its quantitative easing (QE) program, with large-scale asset purchases of at least \$5 billion per week of Government of Canada bonds as required until the recovery is well underway, and inflation is back near target. The Canadian benchmark S&P/TSX composite will be making some changes next week as a result of the quarterly review, S&P Dow Jones Indices will make the following changes to the index prior to the open of trading on Monday, September 21: 2020 adding; Fortuna Silver Mines, New Gold, Osisko Mining, Sprott, and Trillium Therapeutics. In replacement with new names the benchmark will be deleting Cineplex and Pason Systems.

Consider how the world has changed in the past six months. Social distancing is now the rule, and working from home is encouraged, when possible. Movie theaters are half-empty, and attending school now means opening a laptop at home for many students. As a result, Apple, Amazon, Microsoft, Alphabet, and Facebook now account for nearly a quarter of the value of the S&P 500 index, a level of concentration rarely seen in the benchmark. Ultralow interest rates have boosted the valuations of companies expected to earn the bulk of their profits in the future – sometimes years down the road. When discounted back to the present, far-off cash flows are worth more today than in a higher-rate world. That calculation has helped lift stock indexes to records even as earnings have tumbled. With that being said, we are likely to continue in a period of directionless volatility as bulls and bears wrestle between the strong Fed liquidity and improving economic backdrop and the continued uncertainty and elevated valuations.



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

Senior Vice President

Investment Advisor

T: 604.643.7346

E: jbasran@cgf.com

basranwealthmanagement.com

MARKET SUMMARIES

(at Friday's close)

S&P/TSX Composite **up 0.23%** at 16,222.46 (**down 4.93% ytd**)

S&P/TSX Venture **down 1.17%** at 733.37 (**up 26.98% ytd**)

S&P 500 **up 0.05%** at 3,340.97 (**up 3.41% ytd**)

Dow Jones Industrial Avg. **up 0.48%** at 27,665.64 (**down 3.06% ytd**)

Nasdaq Composite **down 0.60%** at 10,853.55 (**up 20.96% ytd**)

Metals

Gold: \$1941.84

Silver: \$26.74

Copper \$3.03

Energy

Brent Crude Oil: \$39.92

WTI Crude Oil: \$37.44

Natural Gas: \$2.25



Since bottoming in April, many economic indicators have rebounded sharply, but the pace of Main Street's recovery has lagged behind Wall Street's. Unemployment remains above 8%, and consumer spending could drop if expanded unemployment benefits aren't extended by Congress. A contentious election season also means heightened uncertainty, with polls showing former Vice President Joe Biden well ahead of President Donald Trump in the race for the White House. The battle of party control of the Senate is equally contested.

The consumer-price Index rose by a larger-than-expected 0.4% in August, the Bureau of Labor Statistics reported Friday. The latest reading of the consumer price index demonstrates just how little we can learn from aggregate numbers in the era of the coronavirus. The apparent stability of the growth rate of the broad index is concealing considerable upheaval under the hood. Whatever the cause, the core CPI rose at an annual rate of 5.1% since May, the fastest rate for a three-month period since March 1991. The pandemic's impact on the economy was supposed to suppress consumer demand and therefore prices, however, it is clearly shown that any disinflationary impact from Covid-19 was very short-lived. The biggest impact on the overall consumer price index, however, has come from the surging prices of used cars and trucks, which have gained 8% since June. Other times, however, as stronger economy encourages consumers to switch to pricier new vehicles, which pushes down the price of used ones, as in 2013-18. Whatever the explanation, this time around, inflation appears to be picking up significantly and expected to increase as the Fed allows overshoots to make up for previous shortfalls.

WHAT'S AHEAD

There's a well-told adage that you only get one chance to make a first impression. From personal relationships to business meetings, we're taught that people form opinions of us in a few moments, and that we should always be ready to show our best. In spite of this, the most important 30 minutes of this year's presidential campaign are about to arrive. They will come September 29th, in the first half-hour of the first presidential debate. That is the crucial period when Joe Biden will have his best chance to show he's up to the job and give voters their first impression to move away from President Trump and towards the Democrats.

Our quote of the week is from American investor and legendary bond king, Bill Gross.

"The market can move for irrational reasons, and you have to be prepared for that."

FINANCIAL PLANNING TIP OF THE WEEK

Maximizing your retirement income.

Locked-In RRSPs/LIRAs for Your Pension Payout

A Locked-In RRSP or LIRA is very similar to a regular RRSP except that funds can only be withdrawn by converting to a:

- **Life Annuity**
Available in all provinces, a life annuity gives you a steady lifetime income stream fixed at a certain rate.
- **Life Income Fund (LIF)**
Also available in all provinces, a LIF gives you control over how your assets are invested. There are minimum and maximum amounts of income you must receive from a LIF. In addition, except in Quebec, you must convert your LIF to a life annuity before you turn 81.
- **Locked-In Retirement Income Fund (LRIF)**
LRIFs are available in Newfoundland and Labrador. They are similar to LIFs, except there is no requirement to convert remaining funds to a life annuity after you turn 80.



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

Anne Jackson, BBA, CMA

Wealth & Estate Planning Specialist

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