

MARKET OUTLOOK



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It is often said that knowledge is power. During the Tokyo Olympics, many were surprised to learn that you can “share” a gold medal, and that the decision on sharing depends on the competitors themselves! This is exactly what happened in the Men’s high jump when a Qatari and an Italian chose to share a gold rather than do a final jump-off to determine a sole winner.

Session 7 19:00 - 21:55

19:10 Olympic Stadium -
High Jump A



Men's High Jump Final



QAT BARSHIM Mutaz Essa



ITA TAMBERI Gianmarco



BLR NEDASEKAU Maksim

* Source: <https://olympics.com/tokyo-2020/olympic-games/en/results/all-sports/olympic-schedule-and-results-date=2021-08-01.htm>

With July capping a sixth straight month of gains for equity markets, some sectors seem to be sharing their own gold medals. Health care and real estate were the leaders for the month, driven by the Delta variant and inflation concerns, respectively. As for losers, the Energy sector was deeply in the red but is still the top performer year to date.

S&P 500 - As of Jul 31, 2021	PRICE	1-MONTH (%)	3-MONTH (%)	YTD (%)	1-YEAR (%)
Health Care	1538.58	4.74	8.89	16.21	25.23
Real Estate	290.04	4.55	8.60	27.27	29.01
Utilities	335.12	4.21	-1.14	5.03	8.41
Information Technology	2693.55	3.82	9.82	17.56	38.67
Communication Services	273.30	3.39	6.12	23.15	42.57
Consumer Staples	738.72	2.37	3.51	6.09	15.06
S&P 500	4395.26	2.27	5.12	17.02	34.37
Materials	527.35	2.00	1.21	15.72	38.86
Industrials	873.59	0.85	1.40	16.55	44.19
Consumer Discretionary	1438.71	0.48	0.20	10.45	25.56
Financials	606.90	-0.61	0.82	23.75	52.08
Energy	372.99	-8.44	0.37	30.35	37.08

* Source: <https://www.spglobal.com/spdji/en/commentary/article/us-equities-market-attributes/>

Downside Ahead?

Last month we also learned that the pandemic-induced recession in the US was the shortest on record, lasting only two months and ending in April 2020. The market has been rather strong since and it is natural to worry about the downside.

Asset allocation plays an important role in minimizing downside risk. Including fixed income along with a basket of stocks results in a reduction of risk should markets fall.

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As you may vaguely recall from Economics class, fixed income securities are driven by interest rates. Given the current near-zero interest rates environment, which the US and Canadian central banks are suggesting will remain until at least late 2022, what's an investor to do if they want the diversification benefits of fixed income while earning some return greater than zero?

Using Insurance as Fixed Income

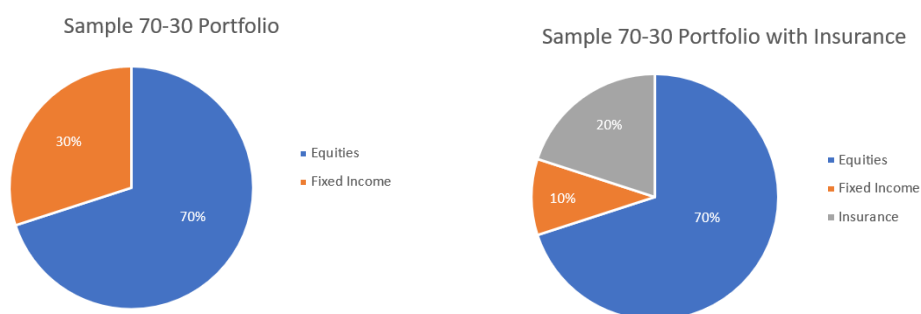
Life insurance is typically viewed as protection, and something parents with dependents should consider buying. However, insurance products can be part of the overall investment strategy if we use them as a substitute for some of our fixed income exposure.

When developing a financial plan, sometimes there is a portion of wealth that is going to the next generation and is not needed at present. In this context, we can move those currently unneeded assets into insurance products to help the portfolio generate greater returns.

By utilizing a participating life insurance product, the base insurance amount is the basis for earning dividends, which are reinvested to increase payouts. This results in a compounding effect that has traditionally earned 3-6% per year.

The paid-up additional insurance has a cash value which accumulates over time on a tax-preferred basis, more favourable than the treatment fixed income interest receives. We can also withdraw the funds from the policy in case of any unexpected life surprises.

The key to maximizing the performance of the fixed income portion is to view insurance as part of the overall portfolio.



Looking Ahead

As we look ahead, we expect equity markets to perform well, albeit with potentially increasing volatility. Inflation, which has been “transitory” for some months now, will remain something to keep an eye on. However, as the Delta wave passes, we expect the economy will continue its reopening process, especially in Ontario, which has been one of the most stringent jurisdictions in terms of restrictions.

As for SV Wealth, we are growing and have added some new members to our team! We are launching a new logo with this issue and will have a redesigned website in the coming months. Stay tuned for more details.

Have a wonderful summer vacation and charge up as we prepare for a return to some normalcy in September. Enjoy the sunshine!

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