

SV WEALTH - NEWSLETTER



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Are we there yet?

“Are we there yet?” might be a classic question heard by many parents during summer road trips but in July, it was the markets who were asking whether we’d finally arrived at a bottom. After opening with the worst start to a year since 1970, the month of July was a dramatic change, with the S&P500 posting its best monthly performance since November 2020.

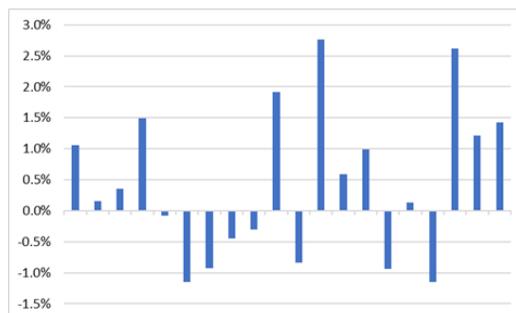
	1 Mo	YTD	1 Yr	5 Yr	10 Yr
Canada					
S&P/TSX Comp	4.4%	-7.2%	-2.9%	5.4%	5.4%
United States					
S&P 500 Comp	9.1%	-13.3%	-6.0%	10.8%	11.6%
NASDAQ Comp	12.3%	-20.8%	-15.6%	14.3%	15.5%
Energy					
Crude Oil - WTI	-6.8%	31.1%	33.4%	14.5%	1.1%

Source: Raymond James Ltd.

The broad S&P500 and technology stocks did well but for Canadian markets, a tough month for energy meant that it was a rare under performer. Crude oil, a big winner for much of the first half of the year, lost 6.8% during the month of July but is still up nicely for the year.

The importance of staying invested

One of the most important aspects to meeting your financial goals is to stay invested during turbulent times, as demonstrated by the long-term 5 and 10-year returns. The month of July provides a case in point that trying to time the market is usually a fool’s game. If you missed just the two best days of July, you would've performed about 5% worse for the month.



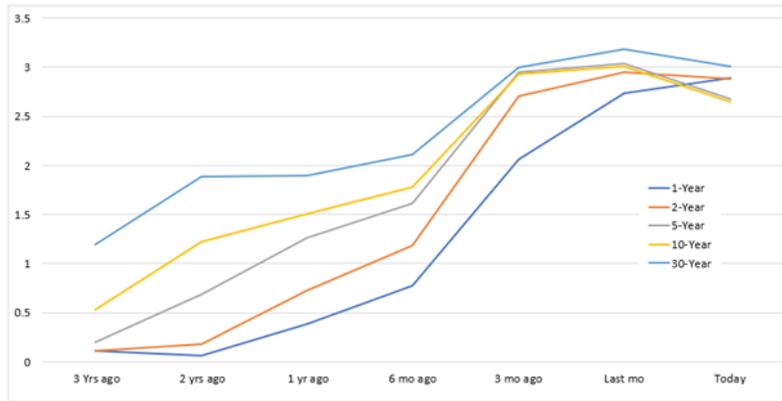
Source: SV Wealth, MarketWatch. Daily change for S&P500 in July 2022.

Staying invested does not mean standing still! It is prudent to adjust the holdings in the portfolio and the asset allocation mix to limit potential downside and capitalize on emerging opportunities. Recent changes in interest rates means that repositioning the portfolio towards more fixed income securities may bear fruit.

Interest rates: Onwards and Upwards

While prices at the gas pump have eased rather dramatically in the past few weeks, inflation remains stubbornly high in many other parts of the economy, with Canada posting inflation of 8.1% for July. With rising inflation comes rising interest rates.

In the US, which usually sets the tone for the global economy, long-term 30-year rates have doubled in the past three years while short-term rates have nearly tripled.



Source: Raymond James Ltd.

Sharp eyes may notice the kink downwards in rates from last month. The small decline is a sign that market participants believe inflation may be peaking, or close to it.

Opportunities in fixed income

Increasing interest rates may slow down economic growth but they do provide us an opportunity to generate more income from our portfolios and reposition into interest-rate sensitive securities that have lagged the increase in rates.

Product spotlight: Power Financial Preferred Shares

You might not know the name Power Financial but they are the parent company behind insurance companies like Great West Life, London Life and Canada Assurance.

With the preferred share highlighted, we can earn almost 6% in annual income over the next year and a half. In addition, we also have the opportunity to participate in any market recovery if the shares move back towards their \$25 par price.

PRODUCT SPOTLIGHT	
Power Financial Non-Cumulative 5-Year Rate Reset Pref Shares, Series T	
ISSUER	Power Financial Corp
COUPON	4.22%
MATURITY	31-Jan-24
PRICE	\$18.52
ANNUAL DIVIDEND	\$1.054
DIVIDEND YIELD	5.69%
RATING	Pfd-2 High
RESET TERM	5yr GoC + 2.37%
CURRENT 5YR GoC*	2.817%

*As of Aug 3, 2022. Source: Raymond James Ltd.

Looking to the months ahead

New items to watch in the coming months will be whether fresh tensions between China and the US over Nancy Pelosi's Taiwan visit are mostly sound and fury or if they escalate to something more, at least economically. Inflation may have peaked but it will remain elevated for some time, leading the central banks to continue their campaign of hikes. In any situation, we'll be there guiding you to safe harbor and protecting your wealth.

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