

THE CAMPBELL CHRONICLES

A NEWSLETTER FROM
THE CAMPBELL WEALTH MANAGEMENT GROUP



THIS MONTH'S NEWS AND UPDATES:

- **Federal Budget Highlights**
- **First Quarter Summary**
- **Lightening Things Up**
- **Interest Rates**
- **Question of the Month**

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Wealth Management Group
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FEDERAL BUDGET EDITION

Welcome to Spring! Most of the snow is gone, the birds are once again chirping, and we have a new Federal Budget to digest. More on that later. There never seems to be a dull day in the news anymore. Whether there really is that much interesting events taking place, or the media is getting really good at sensationalizing things and blowing these events out of proportion - I'll leave that to you to decide. The latest in our world was the collapse of Silicon Valley Bank (SVB). I know we already sent an email out regarding this, but for those of you that didn't read it, essentially it's the largest bank to fail in the United States since the financial crisis of 2007-2008. Failing banks isn't something we experience in Canada, as we continue to have one of the highest regarded banking systems in the world. That being said, it still has a trickle down effect on our bank stocks here in Canada. The big 5 banks are all down anywhere from 6-13% so far in March alone. Some better news for most is the Bank of Canada has hit the pause button on interest rate hikes as inflation continues to come down. The inflation numbers are still higher than they would like, but they want to give the rate hikes over the past year a little more time to work into the economy. Inside, I'll get into more detail on the budget, some April fools fun, and a few other topics. Happy reading!

2023 FEDERAL BUDGET HIGHLIGHTS

Finance Minister Freeland just released the budget for 2023. At first glance, from a taxation perspective, there isn't much in the way of change.

There will be changes to the Alternative Minimum Tax (AMT). They will be watching those with "ultra high incomes" to ensure the "very wealthy" are paying their share of tax.

As expected, there is strong incentive via tax credits for clean energy, and there is some increases for those who would normally qualify for the GST rebates.

Significant dollars will be directed to a national Dental Care program, that will be available to seniors with household incomes under \$90,000.

The First Home Savings Account will be available this spring, as previously announced in last years budget. This combines the best qualities of an RRSP and a TFSA to aid people in saving for their first home. Reach out if you would like more details on this.

The annual deficit is expected to exceed \$40 Billion and our national debt will climb to \$1.18 Trillion, and there is no path to a balanced budget as presented. It's hard to fathom those numbers, especially when they are put down in their full figures: \$40,000,000,000 and \$1,180,000,000,000.

2023 FIRST QUARTER SUMMARY

After a calm start to the year, volatility has certainly returned in the equity markets. The TSX in Canada, and the S&P500 in the US were both up well over 5% to start the year, but both have retreated from that point, and although still in positive territory, they have both given up more than half of those gains. In Canada, the banks have not helped, since the collapse of SVB, many being down over 15% from their peak in early February. On the flip side, we have seen the bond markets calm down after a tumultuous 2022. On a year to date basis, the Canadian bond universe is up almost 2% so far in 2023. With the Bank of Canada hitting the pause button on interest rate hikes, at least this side of the portfolio is performing more as expected this year. This is welcome news, as many of you have heard me explain that we have been slowly adding bonds back into the accounts after having a significant underweight to this sector all of last year. The shining light so far this year has been the technology heavy NASDAQ. Coming off a year in which the index was down over 30%, the NASDAQ is currently up over 11% this year, but still down significantly from its peak in November of 2021. Lastly, a Bitcoin update (I don't only mention it when it's down) has the crypto currency up over 50% year to date. But before everyone gets too excited, it is still down almost exactly 60% from the high levels it hit in the fall of 2021.

LIGHTENING THINGS UP

With April Fool's Day only a few days away, we thought we would lighten things up a little bit. www.history.com reports that although April Fool's Day has been celebrated for several centuries by different cultures, its exact origins remain a mystery. Some historians speculate that it dates back to 1582, when France switched from the Julian calendar to the Gregorian calendar. In the Julian calendar, as in the Hindu calendar, the new year began with the spring equinox around April 1. Those who failed to recognize that the start of the new year had moved to January 1 and continued to celebrate it around April 1 became the butt of jokes and these jokes were called "April fools." These pranks included having paper fish placed on their backs and were referred to as "poisson d'avril" (April fish), said to symbolize a young, easily caught fish and a gullible person. Like the poisson d'avril, hopefully you don't get reeled in to an April Fool's Day joke this year.



"I just started buying stock from the market: I have beef, chicken, and vegetable. One day I hope to be bouillonnaire."

HAHAHA

INTEREST RATES: WHAT'S THE BANKS NEXT MOVE

As mentioned already a couple of times, the Bank of Canada did not increase the overnight lending rate in March, and for the first time in a year, they held the current rate steady. After over 4% of interest rate hikes from the start of 2022 to early 2023, the Bank is wanting to wait and see how this continues to impact the inflation numbers going forward. Speaking of inflation, the latest data puts the year over year index at just over 5%. The Bank for many years has targeted a 2% inflation number, so the current level is still very elevated, but they also want to ensure a "Soft Landing" in which the economy does not go into a long drawn out recession. They certainly have their work cut out for them. Looking south of the border, after the collapse of the Silicon Valley Bank, the Federal Reserve made the decision to only increase the US rate by a quarter point. They also softened their stance on future hikes, insinuating they will raise more if they have to, but they may not have to go as high as originally planned and at the same time, it may be longer before they start to cut rates again. If we have learned anything over the past 3 years, it's that even the experts in charge of making these decisions can only work with the current information, and in a world where things can change so quick, it's extremely difficult to predict too far out.

QUESTION OF THE MONTH

If an Investor sells and incurs a capital gain and the next day reinvests the proceeds in the same investment, will they be denied the gain?

No, they will not be denied the gain and the above example is an acceptable form of tax planning. However, the rules can sometimes be confusing, in the case of this question, it is selling at a loss and reinvesting the next day in the same investment whereby the loss can be denied. This is called a superficial loss. The Canadian Securities Institute states the superficial loss rules: an investor cannot take a loss if the security sold at a loss is repurchased by the investor or an affiliated party within a certain time frame. Affiliated parties include spouses, corporations under the investor's control and a trust where the investor and/or their spouse are majority interest beneficiaries. The time frame during which the superficial loss rule applies is 30 days before and 30 days after the sale at a loss. If an investor wants to reinvest in the same security, they can do so on day 31. It is also important to note that these rules apply to the same investment and anything that is considered identical.

Have a question you would like addressed in a future letter? Send me a note: jamie.campbell@nbpcd.com



March 12, 2023 was the annual "check your battery" day for your smoke and carbon monoxide detector.



Private Wealth

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