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THE CAMPBELL CHRONICLES

A NEWSLETTER FROM
THE CAMPBELL WEALTH MANAGEMENT GROUP

FALL ECONOMIC UPDATE

I need to start this edition with a proud Dad brag. Our team picture has been replaced by a picture from earlier this month at my daughter's graduation where she earned her Masters of Nursing. She is currently working in the Emergency Department of Victoria Hospital here in London, and she is also the contributor of this editions question of the month.

Well it's that time of year where the days are getting shorter, and we seem to be losing daylight as fast as the leaves are falling from the trees. It's also that time of year of the great snow bird migration, for everyone that is chasing a little more sun, and definitely more warmth. Lastly, it's also that time of year that Governments and companies provide economic updates and fiscal year end earnings, so I thought I would try to summarize all these updates, sift through the headlines for you, and attempt to provide you with some idea of where we are in the economic cycle, and more importantly, where we may be heading. Also, as has been the theme for many months, I will review current inflation and interest rates. Happy reading!

THIS MONTH'S NEWS AND UPDATES:

The Campbell Wealth Management Group
BMO Nesbitt Burns

THE R WORD & WHAT IT MEANS

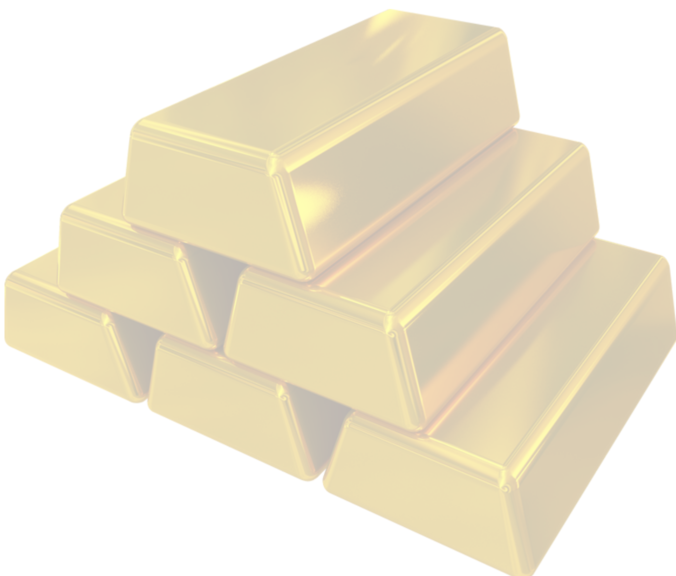
It's a word that has been mentioned in previous newsletters, and a word that has been bantered around since we first learned of COVID. Recession. Many thought it would be impossible to get through the past 3 years without entering a recession. How could we shut down an economy for months at a time, yet not enter into a recession. Recall the definition of a "Recession" in economic terms is usually described 2 consecutive quarters of negative gross domestic product (GDP) growth. Many economists will use more complex measures, but this is widely used as the basis for measuring a recession. Because of the definition being backwards looking, most of the recessions in the past few decades have ended before we knew they even actually existed. I am not making predictions of a recession, nor the severity if there is one. What I am pointing out, is if we technically enter into one, it may not be as bad as some predict. Employment numbers are still very strong, and inflation seems to be coming back into more normal numbers, and lastly interest rates may have peaked or at least be close to peaking (more on both of those later). Lastly, when you look at previous recessions, and the impact on the overall stock market, almost always, the market has bottomed out in the first half of the recession, and already started rebounding well before the recession is technically over. So, even if a recession lasts for a total of 12 months, or 4 quarters, and it takes 2 quarters of data before you know you are even in a recession, the worst of the market pullback has already taken place.

INTEREST RATES & INFLATION

The Bank of Canada has held their policy rate steady the last at the last two announcements. For many this was a welcome change from the significant increases that had become the norm for the last 16 months before. Headlines are already coming out trying to predict when rates will retreat, and even the Bank of Canada itself has wavered on their stance. Higher for longer was their mantra for a while, but there are some rumblings that we will see rates on the retreat as early as next summer. Time will tell, but the way things look, we may have the worst of rising rates behind us as inflation numbers continue to get closer to the target the Bank of Canada wants to see. This will be good news for the bond side of the portfolio, as many of you have watched me imitate a teeter totter, explaining as rates rise on one side, the existing bond prices fall on the other side. Now, if we see the opposite happen, existing bonds will rise in value.

GOLD AT COSTCO

Yes, you read that right. You can purchase 1 ounce gold bars at Costco, and have them delivered right to your door. Now before you log in, and rush to order yourself some bars, there's a few things you should know about physically holding gold. First, is the ability to sell the bar. Costco is quick to point out this item cannot be returned or refunded. Gold, being as precious as it is, can be counterfeited easily (by those who know how to do those types of things). Once it's left a controlled environment, the ability to guarantee it's integrity becomes more difficult, and therefore, not many places are willing to buy gold direct from a consumer for the current prices. We also have the ability to buy gold (and silver) direct through the Royal Canadian Mint, and hold it for you in an account. Delivery can also be arranged, but just like Costco, once it's out, BMO will not buy the gold back. So converting to cash can be a difficult transaction. Happy to discuss this if you would like more details.



CHARITABLE DONATIONS

It's that time of year when many people are looking to make charitable donations. Did you know that you can donate investments directly to most registered charities instead of cash or cheque? Why is this important? If you have an investment account that has stocks in it that have appreciated over the years, CRA allows for the donation of the stock directly to the charity, and you do not have to claim any capital gains that have occurred on the donated stock. Lets say you have some stocks that cost $10,000, but are now worth $20,000. You are looking to make a $2,000 charitable donation. If you sold $2,000 worth of the stock to get the funds, there would be a $1,000 gain, and you would pay the appropriate tax. Where if you simply donate $2,000 worth of the stock to the charity, there is no consequence and you get a charitable receipt for the full $2,000. If this sounds like something you would like to learn more about, give us a call.

QUESTION OF THE MONTH

Although interest rates are high, is now a good time to buy your first home?

Like many questions that surround the timing of a large purchase or investment, it would be so much easier to answer if we just had a crystal ball to see into the future. Here in London, ON, real estate prices have dropped on average by over 18% from the peak reached at the height of the pandemic. Keep in mind, London was also one of the largest gainers when it came to real estate prices from 2019 through to 2022, so a pullback was certainly expected. With the average home prices still well over $600,000, it’s hard for many to wrap their heads around that being a starter home. With the prices where they are, and the transactional costs associated with real estate, many do not want to simply move into something so they can get in the market, only to want to move again in a few years. My advice to those starting out would be, if you are in a position and able to find a home that you can truly see living in for some time (10 years or so), and you are comfortable with the decision, have done your homework, and know the area you want to be AND you can afford the payments while still have excess for all the unknowns that come with your first home, then you may be OK to take the plunge. Real estate is much like the stock market. Economic events can change the direction of the market on a dime, but with real estate, once you are in, it’s much more difficult to get out if your circumstances change. Stocks trade every second of every day from 9:30 AM to 4:00 PM, whereas real estate can sit idle for many weeks, or even months, if it’s not listed properly of if the market just goes cold. So, with a home purchase being such a large investment and commitment, ensure you are prepared, have done your research, saved up your down payment then find a house you can love for a few years.

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

BMO Private Wealth

The Campbell Wealth Management Group

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