



October Interim Market Update

We are writing you to provide you with a brief update of our portfolios given the recent sell off in the global stock markets.

Prior to October, all of the major markets including Canada, Europe, China and the Emerging Markets have been negative for 2018. The US markets have been a usual standout posting positive returns year to date.

October has seen all markets globally correct significantly and very quickly. As a result, all of our portfolios have been negatively impacted these past few weeks. There are a number of possible reasons for this sell off, but we believe one of the primary catalysts has been rising interest rates around the world. Relative to the U.S., the Canadian stock market has been particularly weak. Fortunately, our portfolios have been more heavily invested in the U.S.

During the past two weeks we reduced our allocation to stocks by approximately 40% and invested the proceeds into short term Canadian bonds.

It has been 10 years since the last recession, which is very unusual. It is hard to imagine this current bull market will extend another 10 years without a recession. As a result, we expect a recession at some point in the future, but predicting its arrival is difficult at best.

With current corporate earnings relatively strong, we don't anticipate a recession in the near term. In fact, we believe this is a normal intra year correction. Prior to 2008, it was common to experience a 15% correction every year or so. Since 2008, the market has not experienced one correction of 15% or more. As a result, many investors have forgotten what it feels like to experience temporary market declines and a reduction in portfolio valuations. We believe the probabilities favour new highs in the U.S. market over the next six to twelve months. As such, we expect that any short term cash that was recently raised to be redeployed once we see demand exceeding short term supply in equities globally, but especially in the U.S.

However, if demand remains weak, or becomes much weaker, we will adjust our portfolios to become even more defensive. You can view our [current portfolio asset mixes here](#).

As always, if you have any questions regarding your portfolio, please contact us.

Sincerely,

[Ferrie Petruccelli Wealth Management Group](#)

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