



Portfolio Strategy

We are seeing early signs that better times are coming, and perhaps sooner than many investors expect. The environment has been volatile and downbeat for most of the year but with inflation showing signs of peaking, things are falling into place, including a peak in long-term interest rates (the two are very clearly related), better credit market trends, and a sharp improvement in beaten-down cyclical areas of the stock market. Now, inflation is still leading to price increases, but what the market looks for is trends in data and not necessarily absolute values. What matters most right now is that the pace of price increases is decreasing.

While a recession remains a possible outcome, the probability of such an event continues to tick down. Additionally, if we do see a recession, the recent improvement in relevant macro variables strengthens the notion that it will be a mild one by historical standards.

On the interest rate front, we are getting closer to the end of the Central Bank tightening cycle. The following phrase in the recently released Federal Reserve minutes was quite encouraging in that respect: "... a substantial majority of participants judged that a slowing in the pace of increase would likely soon be appropriate." Clearly, slowing the pace would give the US Federal Reserve the ability to assess the economic landscape and see where they're at in terms of meeting their objectives

Another encouraging element is the credit trends in the U.S.; High-Yield Credit Default Swap (CDS) prices (essentially an insurance contract that protects against a default from risky borrowers) are falling significantly meaning that the fixed income market is getting less concerned about a severe economic slowdown. By historical standards, the stress level – even at its recent peak – was not even in the same stratosphere as during the financial crisis

After an extended period of cautious and defensive positioning, we have started to invest some of the built-up cash in our portfolios. During the month of November, we initiated partial positions in the following names: CN Rail, JP Morgan, Illinois Tool Works, Home Depot and Johnson Controls. We still have an overweight to cash and will continue to look for opportunities to invest. We remain underweight fixed income and (now to a lesser extent) underweight equities.

[Perspectives on Canadian Real Estate](#)

Home ownership is one of the most significant and important goals within a family or individual's financial plan. We spend many years focused on building our savings, working towards finding a home and making it a place of security and comfort.

We hope you find the following three articles to be valuable and insightful, and that they provide perspective on Canadian Real Estate.

[Canada's Real Estate Market: 5 Things You Need to Know](#)

[Federal Budget 2022: 8 Measures That Can Make Real Estate More Affordable](#)

[All in the Family: A Primer on Gifting Property](#)

As always, should you have any questions please do not hesitate to contact us.

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BMO Wealth Insights

Perspectives on
Canadian Real Estate



October 2022



Welcome to this issue of Wealth **Insights**.

For most Canadians, home ownership is one of the most significant and important goals within a family or individual's financial plan. We spend many years focused on building our savings, working towards finding a home and making it a place of security and comfort.

With rising interest rates and corresponding downward pressure on house prices, it's led to increased worry or decreased confidence as well as more questions about the ability for our houses to maintain their values and the hierarchy they currently have among the assets we own moving forward.

At BMO, we recognize the different sentiments of pride, excitement, and concern you may have towards your home and your future. In this issue of Wealth Insights, "**Canada's Real Estate Market: 5 Things You Need to Know**" provides an economic overview of the state of the housing market in Canada, and then we review the "**Federal Budget 2022: 8 Measures that Can Make Real Estate More Affordable**" for Canadians. Finally, as we've invested our heart and savings into our homes, it's important to understand what transpires when gifting a property in Canada. "**All in the Family: A Primer on Gifting Property**" focuses on the estate and tax implications of making gifts to loved ones to help them acquire a home.

I hope you find these articles to be valuable and insightful, and that they provide perspective on this important asset. As always, I encourage you to speak with your BMO financial professional to learn more about how BMO Private Wealth can help you and your family now and in the future.

Caroline Dabu
Head, BMO Wealth Distribution & Advisory Services | BMO Private Wealth



BMO Wealth Insights

Perspectives on Canadian Real Estate



Canada's Real Estate Market: 5 Things You Need to Know

Provides an economic overview of the state of the housing market in Canada.



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Federal Budget 2022: 8 Measures that Can Make Real Estate More Affordable

Reviews some of the 2022 Federal Budget measures that particularly impact Canadian housing and homeowners.



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All in the Family: A Primer on Gifting Property

Focuses on the estate and tax implications of gifting a property to a family member other than a minor child or grandchild, spouse or common-law partner.



[VIEW THE FULL ARTICLE](#)

For more information, please speak with your BMO financial professional.