

## Hassan Fox Wealth Management

# Market Commentary

## Portfolio Strategy

Markets in October were mixed with Canadian equities continuing a run of positive performing months gaining just under 1%. South of the border, the S&P 500 lost ground, however, a depreciating Loonie helped turn that positive when looked at in Canadian dollar terms. On the fixed income side, bonds also gave up some of their previous gains, losing ground on mixed financial news. While economic growth remains robust, as evidenced by Q3 US GDP growth of 2.8%, American job growth is showing signs of slowing impacted by various disruptions including hurricanes and labour strikes. Only 12,000 new jobs were added during the latest reading while expectations were for 113,000 adds.

Looking ahead though, November kicks off the strongest consecutive three-month period for equities both in Canada and in the U.S. with average returns of approximately 4.3% for both the S&P 500 and the S&P/TSX. Bolstering market sentiment is strong household net worth in both Canada and the US, which is at historic highs with levels of \$17 trillion and \$163 trillion respectively. This level of net worth represents approximately 8x Canadian GDP and almost 6x U.S. GDP. These assets continue to be a tailwind for retail consumption as well as the overall market. The key reason for this is the so-called “wealth effect” which suggests that part of an increase in wealth is typically spent by households (for example, a Bank of Canada study from the early 2000s showed a 2 dollar increase in consumption for every 100 dollar increase in stock market wealth). Other studies have shown that this effect is more pronounced for increases in real estate values which are seen as more “permanent” in nature. The positive news is that both financial and real estate assets have been rising strongly in tandem.

During the month of October, we made a number of equity changes in our North American portfolios. We sold TFI Int'l, Merck & Co., and reduced our overweight to cash. We used the proceeds to add financial management company Blackstone Group, pharmaceutical Abbvie, Canadian dollar-store retailer Dollarama, insurer SunLife and Sherwin-Williams, a US manufacturer and distributor of paints and related products. With these trades, we are essentially fully invested heading into year-end with a slight overweight to equity and corresponding underweight to fixed income.

## Red Sweep: Trump The Sequel

For the first time in over 100 years, a US president will serve non-consecutive terms in office. With Trump returning to the White House there are potentially profound policy implications. The attached publication offers an update and perspective on what his re-election could mean for markets and the economy.

[Red Sweep Trump the Sequel.pdf \(126.6 KB\)](#)

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