# The Gruchala Wojtal Group Newsletter

BMO Wealth Management
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3rd Quarter 2016

As the third quarter came to an end, it was one of the quietest, most non-news event driven quarters in recent memory. After the Brexit sell-off and rebound from the end of June to early July, North American equity markets went sideways through the end of September. Equity volumes were also extremely low, meaning that market participants spent the majority of June, July & August on the sidelines. This combined with various metrics used to judge the amount of cash on the sidelines by various large institutions and negative individual investor sentiment surveys, actually bode well as a contrary market indicator. It is quite possible that we'll see a rally towards the end of the calendar year and into the beginning of 2017.

Longer-term, we are still cautious and feel there are trends that individual investors should keep in mind. There is a growing consensus that central bankers around the world are running out of arrows in their quivers to boost economic growth. Approximately 8 years after the non-conventional (quantitative easing) central bank actions, global growth is still nowhere where it should be this many years into an economic recovery. Artificially keeping rates lower for longer may result in asset bubbles. We are not saying this is going to occur immediately, but it is a real and growing risk that one needs to be cognisant of.

As the US election draws closer, we have been fielding more client questions pertaining to individual sector exposures that will potentially be front-page news. We have reiterated to clients that it is very difficult to manage money based on varying projections of political outcomes. However, current client exposure is minimal in these noted sectors (financials, health care, biotech etc.). If election results cause these sectors to drop in a material way, we would view (as long as your time horizon is longer than 6 months) it as a great potential entry point. We feel the Italian referendum at the beginning of December actually has the potential for much greater economic ramifications and hardly anybody is talking about it here yet. This may lead to some further post-Brexit like buying opportunities.

We have positioned the portfolios as follows: Took post-Brexit profits for clients who were underweight equities at the time, purchased positions shortly after the vote, and we are now in most cases at or above their equity mandate again.

We have moved some capital into global government bonds. We did this for two reasons. 1) As a hedge to a falling CDN dollar. 2) A sector that will do well as a flight to safety if there is a global equity correction.

We continue to believe that we are in the midst of multi-year bull market with the US Dollar. We used sporadic strength in the Canadian dollar as an opportunity to convert more. We continue to hold on average an approximate 40% weighting in either US Dollar dominated securities, or physical US Dollars.

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