Greetings,

I hope you and your family are all staying well.

With another whirlwind week in the books for the investment markets, we wanted to send you another letter to keep you up to date.

Stock markets bounced back this week on major economic and fiscal stimulus packages unveiled by the U.S and Canadian governments. A massive stimulus package in the U.S is estimated at around $2 trillion and in Canada an $87 billion dollar package was unveiled. Today, Prime Minister Trudeau announced additional wage subsidies for small businesses to help replace up to 75% of employee wages. This is in addition to the original $87B package. The Bank of Canada has also cut interest rates by half a point, to 0.25% and has begun large scale asset purchases. The Bank of Canada hopes these moves support the financial system to keep providing credit, and over the longer term, to lay the foundation for the economy's return to normalcy. The stimulus announced this week has been much larger and implemented much more aggressively than the bailouts and stimulus packages that were provided in 2008. To their credit, governments have realized that it is critical to try and keep as many people employed in the near term and to avoid major disruptions in the credit markets until the spread of Covid-19 is under control and the economy can normalize.

While the stimulus packages and the positive results from the markets this past week are encouraging, we're probably not out of the woods yet. Applications for unemployment insurance have spiked dramatically in Canada and the U.S as many people have been temporarily laid off. This is sure to result in poor earnings figures, GDP growth, and other economic measures over the course of the next 6-9 months. However, it is important to remember that markets are always trying to predict the future. So, the sell off in equities over the past month is an acknowledgement of the fact that the market understands unemployment is likely to be high and corporate earnings are likely to be poor in the near term. Any positive news, like economic stimulus, or a decrease in virus cases, can quickly change the outlook for corporate earnings to the upside. The big unknown continues to be how long physical distancing measures will need to be practiced.

The dramatic 35% sell off in equities from late February to March 23rd, and the subsequent 3-day 18% rally from March 24-26th illustrates the risks in selling in and out of a market that is this volatile. If you had sold out at the bottom of -35%, you'd have forever missed out on that recent 18% gain. The worst case scenario for someone who's exited after sustaining a major loss, is that eventually they will suffer from FOMO (fear of missing out), and so they re-enter the market after a period of recovery, only to sustain another market sell off which compounds their losses further. Staying invested through a bear market is difficult to do, but for those who can, solid long-term returns are your reward.

As always, if you have any questions for us about your portfolio, please don't hesitate to call/email.

If you have some free time, please check out the following charts of interest:

- S&P 500 returns vs. VIX (volatility) index CLICK HERE
- S&P 500 intra-year decline vs. calendar return CLICK HERE
- S&P 500 bull and bear markets CLICK HERE

Best Regards,

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