



Financial Services

Stephen G. Fricker, B.Sc. CFP
CERTIFIED FINANCIAL PLANNER® professional
steve@westdalefinancial.com



8 Grandview Ave
Stoney Creek, ON L8E 5A5
B: 905 667 2112
F: 289 656 1605
www.westdalefinancial.com

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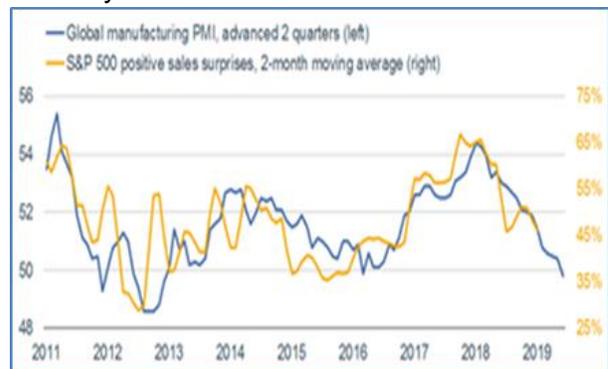
Summer 2019

Dear Clients and Friends

Investment markets have posted a significant recovery during the first half of this year after an oversold correction last Fall. "Acceptable" economic fundamentals and continuing low interest rates in the U.S., Canada, Europe and Japan encouraged investors to buy back into the market despite the ongoing political tension with Brexit, Iran and the trade dispute between the U.S. and China.

There is enough evidence that the global economy is now weakening probably due to the elevated trade tensions in the past few months. The U.S. Federal Reserve may even reduce the bank rate at the end of this month which may be positive over the short term (< 3 months) for equity markets.

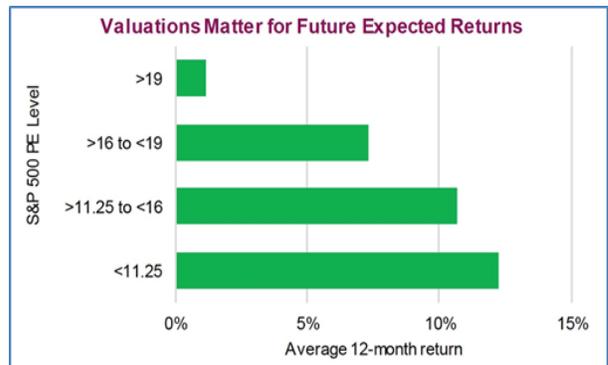
Over the longer term (3 months – 1 year), rising populism is threatening to unravel decades of globalization and trade integration, with unpredictable consequences for companies and stocks. As depicted by the blue line in the graph (right), the Global Purchasing Managers' Index (PMI) is at its lowest levels since 2012 giving support that some of these factors are now having an impact.



Source: Advisor Analyst July 5th, 2019

Referring to the chart, "Valuations Matter for Future Expected Returns", at the end of December 2018, the valuation of the S&P 500 dropped to 15 times corporate earnings. Today it is closer to 19 times earnings and from an historical perspective when valuations have been that high in the past the average performance of the S&P500 has been quite low for the next 12 months. U.S. Companies will be reporting their 2nd quarter earnings starting this month which may provide further insight into the strength of the economy and the age and strength of this market cycle.

The consensus from various Analyst's reports is that while there is no immediate threat of a global recession, investors should be more cautious and should lower performance expectations for the coming year.



Source: Advisor Analyst July 5th, 2019



Mutual funds and some segregated funds provided by the fund companies are offered through Worldsource Financial Management Inc. All other products and services including tax preparation and financial planning are offered through Westdale Financial Services Inc.

Of course, we will do our best to continue to monitor economic developments, monitor your key holdings and will meet with our Portfolio Management Team to keep apprised on product performance and volatility.

Have a great summer!

Index Returns (Canadian Dollars) *as of June 28th, 2019

Index	YTD*	2018		Index	YTD*	2018
S&P/TSX	14.4%	-11.6%		S&P500	12.8%	2.0%
MSCI World	11.1%	-2.6%		Dax 30	11.9%	-15.3%
FTSE TMX	6.5%	1.4%		MSCI EM	5.0%	-9.3%

S&P/TSX: is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange with about 250 companies included in it. The Toronto Stock Exchange is made up of over 1,500 companies

MSCI World: is a market cap weighted stock market index of 1,636 stocks from companies throughout the world. ... It is maintained by MSCI, formerly Morgan Stanley Capital International, and is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets.

FTSE TMX: is the most widely used measure of performance of marketable government and corporate bonds in the Canadian market.

S&P 500: is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange.

DAX 30: is a blue-chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

MSCI EM: is used to measure equity market performance in global emerging markets. The index captures mid and large caps in 26 countries including China, India, Korea, Mexico, Taiwan, and the United Arab Emirates

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