2018: A Year in Review

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First off, Happy New Year to anyone I haven't been able to talk to yet! Natalie and I hope everyone had a great holiday season and wish you all the best coming into 2019. As we've done in past years, Natalie and I spent some time out of the office while the girls were on Christmas Break. We stayed in Calgary for almost all of our time but also got up to Edmonton to spend some time with the girls at West Edmonton Mall. We visited some clients on the way up and the way back down which was really great.

I'd love to tell everyone that we had a good finish to 2018, but we certainly did not. December turned out to be one of the worst months in years. We had a very bad quarter to end the year and while we did see a bit of a bounce back the last week of the year, it wasn't enough to offset the three months of selling. While 2017 had the optimism of lower tax rates and deregulation in the United States, that optimism seems to be behind us. Now the reality of tariffs, trade wars, and a ballooning debt load is front and center. The government in the US has become a revolving door and many key people have left the Trump Administration. The good news, is that the US economy has continued to plug along nicely. The bad news, is that the Federal Reserve has continued to raise rates which puts pressure on businesses and borrowers. On top of that, you have an unpopular president and a governing party that lost the House of Representatives by a wide margin in November. As I write this, we're three weeks into a government shut-down. Hopefully, by the time you read this, it will finally be over! The USA is still the largest economy on the planet so unfortunately, when they are dealing with turmoil, it affects markets around the world.

In Canada, our inability to expand pipelines has left prairie provinces like Alberta and Saskatchewan feeling alienated. Our country's competitiveness has been severely questioned, and our stock market reflected that in 2018. We've seen our Prime Minister's popularity fall dramatically with much of the West extremely frustrated with him. While job numbers are fantastic in our most populous provinces, Alberta and Saskatchewan are not seeing robust growth and are feeling left behind. Oil prices were over $60 at the start of the year but were in $45 per barrel territory in December. This hurts our resource-based economies especially considering that we get a much lower price for our Western Canadian Select. Because we're seeing so much growth in BC, Ontario, and Quebec, the Bank of Canada has raised Interest Rates multiple times. Similar to in the US, this puts pressure on businesses and borrowers. 178,000 jobs were added to Canada's economy over the last four months of 2018. If we continue to see numbers like that, we will likely see more interest rate hikes. As a whole, Canada added 163,000 jobs last year. This is lower than 2017 but still very healthy as they leave unemployment at record lows.

Overall, 2018 was a very confusing year. With the economies of Canada and the US doing well, we did see some record highs in the Stock Markets of both countries. The Toronto Stock Exchange peaked in July at a level of 16,561. Unfortunately, it didn't maintain that level and finished the year down by 11.6%. Things were better in the US but still down. The S&P 500 ended 2018 down by 6.2%. This marks the worst performance for the US market since 2008 and also the first negative year that we've seen for the broader US equity market since that same year. With trade worries across the globe, we saw weakness in Emerging Markets alongside Developed Markets. Higher Interest Rates meant weaker Bond Prices so there weren't many places to hide in 2018. Many Crypto Currencies were decimated last year and a lot of Real Estate Investments also struggled. The only things that really worked over the previous twelve months were Floating Rate Loans, High Interest Savings Accounts, and Gold which started to appreciate in the last quarter.

As always, I'm happy to do full reviews with you in person. I try to keep clients very well diversified so while it was a tough year, it certainly wasn't one that shook the world like the financial crisis of 2008. Markets have always fluctuated, and we had very good returns the two years prior. I can't promise that we'll see less craziness in 2019 but here's hoping that we will!! Stay diversified, stay informed, and stay calm!

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