
Market Rebound Before Income Tax Time

Posted on: March 13, 2023

It was hard to come up with a lot of positive news in 2022, at least with regards to the market. It was one of the few years when both Stocks and Bonds depreciated. This is a very rare phenomenon and one of only four years in about the last one hundred where this has happened. As I mentioned in my last newsletter, after 30 years of costs rising around 2.0% per year, we went to a scary 8.1%¹ in 2022. A number of developed countries went into the high teens². When Inflation rises, it's typically followed by Central Banks moving Interest Rates higher. That's what happened in 2022 and that's a major reason why Bonds lost value. Normally, Fixed Income Funds provide safety and stability for one's portfolio. That just wasn't the case last year. Those higher Interest Rates put downward pressure on the value of the Bond Market. The good news (yes, there is some!), is that Inflation has continued to come down and as of this writing, has fallen to 5.9% here in Canada³. Strong job numbers, lower Inflation and more optimism have lead to some significant buying on the Stock Market. If you look at the last six months on the Toronto Stock Exchange, you will see volatility, but you'll also see a lot of green⁴. March is off to a good start. Global Stock Markets rallied nicely and with costs stabilizing, it is more likely that the Bank of Canada will slow rate hikes or possibly, pause here. A pause would be welcome news for many and should mean much better news for the Bond Market. I can't stress enough that 2022 was a rare situation, your low-risk Bond Funds don't typically lose money!!

With higher Interest Rates, we can at least get more on Savings Accounts. We work with a number of different providers and have High Interest Savings Accounts (HISAs) which are paying over 4.00%. This is higher than what Bank Branches are paying, and we aren't talking about promotional rates here either. In the long run, I am

confident that you will out-perform with Bond Funds over Cash Savings. If you have money that you'll need for very short term needs though, a High Interest Savings Account can be a good solution for you. The value of a HISA won't fluctuate so if you have goals that need to be accomplished in the next three to six months, these can be very good solutions for you. If Interest Rates do go up again, the rate on a HISA generally follows. Those who locked in GICs earlier in 2022 missed out on the higher rates that we got later in the year. Unless you believe that rates will come down quickly, a liquid, High Interest Savings Account could be a very good fit for your Cash Savings. Let us know if you'd like to line up the different options.

Tax time is once again around the corner. We'll be here if you need help tracking down any slips or need clarification on the Tax Implications of any transactions that you may have made in 2022. A big part of our job is to help you organize your portfolio in the most tax efficient ways so please, let us know if there is anything on this front that you would like to discuss. You will be getting a number of Tax Slips and/or RRSP Contribution Receipts in the mail and likely, by the time you get this, have already got a number of them. If you have a B2B Bank Investment Loan, don't forget to use your Interest Statement when submitting your Tax Return. We'll remind you that companies don't have to send Tax Slips out to you in early March. Some of them won't come until later in the month and some may not arrive until early April. The deadline to submit personal income is April 30th. Companies can't always issue tax documents earlier in year, so we ask you to be patient here. Please keep this in mind if you bought into a Flow-Through Share Limited Partnership in 2022. Tax slips for Flow-Through LPs are notoriously slow. That being said, we are happy to help you track down anything that you haven't gotten closer to that April 30th deadline.

One thing that may be different this year, is how you will get your RRSP Contribution Receipts if you have a Portfolio Strategies Nominee RRSP. Most of you have signed up for E-delivery of Documents. **If you are signed up with E-delivery, you will be able to login to the Portfolio Strategies Client Portal and download your RRSP Contribution Receipt. This receipt is available in MyPortfolio.** For clients who have elected for non-electronic document delivery, receipts will be mailed shortly. Natalie and I will be able to help you with this process and can always locate your Portfolio Strategies Statements and Tax Documents. Just reach out to us if you have any trouble at all.

<https://portfoliostrategies.ca/for-clients/> [1]

We look forward to seeing anyone who we haven't met with in 2023 yet and wish you all the best during Tax Time!!

Bryce A. Borden

¹Statistics Canada: - <https://www150.statcan.gc.ca/n1/daily-quotidien/230117/dq230117b-eng.htm> [2]

²Statista: - <https://www.statista.com/statistics/225698/monthly-inflation-rate-in-eu-countries/> [3]

³Trading Economics: - <https://tradingeconomics.com/canada/inflation-cpi> [4]

⁴Yahoo Finance: - <https://ca.finance.yahoo.com/quote/%5EGSPTSE?p=%5EGSPTSE> [5]

[CIBC - Bonds vs Stocks Illustration](#) [6]

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