



MACNAUGHTON & WARD  
FINANCIAL SERVICES LTD.

March 19, 2020

Dear valued client:

Re: Financial Markets

This was a difficult week for global markets. Volatility is soaring. The World Health Organization declared COVID-19 as a pandemic.

It is now spreading quickly across the United States. The selling pressure this week is comparable to some of the worst selloffs in market history: 1929 - 1932, 1987 and 2008.

At times like these, investors can easily get lost in the headlines.

As stewards of your capital, our primary job is to make sense of it all, keep the right perspective and, importantly, avoid big mistakes. Often that means keeping things simple.

At present and looking ahead, what do we know for certain?

- **Fear is at a maximum.** Look around. Are investors panicking? Are they being rational? The answers are obvious. Yet, like clockwork, these emotions are far more consistent with market bottoms than market tops.
- **Encouraging signs have emerged in countries that were first hit by the virus.** China's policy response did contain the virus (albeit at an enormous short-term economic cost). South Korea and Singapore show it is possible to contain the virus without resorting to China's extreme tactics. This is now the template for other countries to follow.
- **Policymaker responses will be massive.** As we write, the US Federal Reserve has announced a liquidity package that could amount to more than \$5 trillion dollars. Canada's stimulus package announced yesterday of more than \$82 billion to Canadians. Interest rates are being slashed around the world. Even Germany has finally capitulated, just announcing unlimited fiscal spending. There is now a record amount of stimulus in

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the pipeline.

- **Future stock market returns will likely be much higher.** Most investors do not think of this during market panics. Rather, they quickly adopt a “sell now, ask questions later” mindset. However, valuations are the best predictor of longer term returns. As such, stock market prices have just become very attractive in many countries, sectors and industries. The Portfolio Managers will be taking advantage of this by selling what has worked (bonds) and buying more of what hasn’t (stocks).

We are living through historic times. This is new territory. Investors will look back on this period with awe.

One of the only things we can control in this situation is our response. That requires a rational perspective, a disciplined investment process and, yes, a level of humility. The MWFS team is ready for this and invested alongside you, we can be reached by telephone:

- Rob Nelson ext. 218 or Email: [robert.nelson@mwfs.ca](mailto:robert.nelson@mwfs.ca)
- Michael Pasielski ext. 208 or Email: [michael.pasielski@mwfs.ca](mailto:michael.pasielski@mwfs.ca)
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If you have questions or wish to discuss your portfolio, please call us at **604.581.9121** or **1.800.397.0115**. We are happy to help you.

Yours truly,



Tracey Cambridge

President

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