We hope that you are keeping well and are able to enjoy the warmer weather, even if it's in your backyard.

Markets continue to move higher in the face of all of the negativity. These moves are fueled by the massive stimulus programs implemented by central banks across the world in a coordinated effort to stave off a potential global depression. This funding has made risk assets like equities appealing because of the comparative returns that can be had with fixed income alternatives. The old adage "Don't fight the Fed" is ringing true.

Today's employment numbers were surprisingly strong on both sides of the border with jobs being added when they were expected to drop. We are also seeing signs that the worst economically may be in the rearview mirror. The economic data remains alarming, however the re-opening appears to be moving at an accelerated pace compared to what was predicted. We haven't seen the big flare ups that were expected yet and this has fueled the optimism which is reflected in the markets.

The second wave of the pandemic is still likely and we still don't know what it will look like. What is becoming apparent however is that the massive shutdowns of the last quarter are not likely to occur going forward. The curve was flattened and if people can maintain discipline we may avoid the worst case scenarios that we feared in March.

The central banks in both Canada and the United States appear cautiously optimistic, however they have indicated that they remain committed to being accommodative until we are beyond the crisis. The United States Federal Reserve maintains a corporate bond buying program which puts faith in the underlying conditions of both the bond and equity markets.

From a market perspective, the recovery has been surprisingly swift and we now appear poised for a re-evaluation of equity prices. This may not mean a correction or testing of the lows, however we will likely see a slowing of momentum as we move into earnings season. There are some trends however that need to be regarded when evaluating whether the market is over-valued. We are seeing the market leaders that brought us up are now slowing down, especially the technology sector. The value stocks like financials, industrials and health care are now beginning to see gains. This rotation is positive for the markets going forward. It is important to remember that the recovery to this point has been led by a-few stocks that hold higher weightings on the markets so much of the market remains under-valued. This means that there may be some more upside ahead as investors look for bargains. There is still an incredible amount of cash that remains un-invested as many people liquidated in February and March and have remained on the sidelines.

We are still in very uncertain times. In North America we are re-evaluating the way we function as a civil and just society, China and Hong Kong face unrest and we are in the midst of a pandemic. We will also have to pay for the stimulus that has flooded the global economies and inflation looms down the road. We are cautiously optimistic, however we remain defensive and aware that the news can change overnight. We will continue to maintain elevated cash positions and focus on dividend paying equities with strong balance sheets, with an eye to the future.

Be well and remember that we are just a phone call or email away.

We're here to help,

Ken, John, Will & Patrick

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