We hope that you had a great summer with some well needed R&R.

The weaker U.S. dollar, low bond yields and government stimulus continue to drive the markets upward, however we are seeing signs of a corrective phase on the horizon. This became apparent yesterday as the markets declined sharply. This pull back was largely localized to the technology sector, especially the high flying equities that have largely driven the rally to this point. To put things in perspective, the steep pull back in shares of Apple, Tesla and Amazon merely undid their gains made over the past few weeks. The S&P 500 also reached an all-time high in August, following the pandemic-induced downturn during February and March. Gravity applies to markets as it does in nature, so equities will not rise forever. The big question for investors at this point is whether this leads to an overdue correction or a sector rotation. Both scenarios are constructive for the market long term, however they create short term volatility and uncertainty. We are seeing some signs that investors who are selling growth stocks are looking to more conservative areas in the markets to invest. Cash positions are increasing, however we are also seeing signs that financials, utilities, industrials and materials are seeing interest.

Jobs numbers on both sides of the border remain encouraging with 1.4 million jobs coming back in the United States and 240,000 in Canada. There is still a long way to go, however we are moving forward. Canada's real gross domestic product (GDP), declined 38.7% in the second quarter of 2020 - the largest decline on record. However, preliminary data from Statistics Canada indicated a 3% increase in real GDP for July, suggesting that the economy may have turned a corner. The recovery, although beginning, needs to be seen as long term. We will see many fits and starts as global governments begin to grapple with their debt.

Globally, the number of COVID-19 cases continues to increase at a measured pace. However, infection rates are slowing in many parts of the world. Although some countries have experienced second waves of the virus, many are in recovery mode even as schools and businesses open. There are a number of vaccine candidates in development around the world. In August, Canada announced deals to reserve millions of doses of potential vaccines from U.S. pharmaceutical firms Moderna, Pfizer, Johnson & Johnson and Novavax.

As we move towards the U.S. election, investors will weigh the perceived chaos of Trump tariffs with the cooling effect of Biden taxes. This will fuel volatility with uncertainty. Regardless of who ultimately wins it is important to maintain a long term focus on your investing objectives and remember that short term markets are unknowable, however the longer term trend continues upwards. Corrections are healthy and necessary to maintain the balance between greed and pessimism. Whether we are heading towards a correction or a sector rotation in the next few months is unknown. What we can base some certainty on is history. Human ingenuity, resilience and innovation win in the long run and equity markets reflect this. Good companies with solid earnings that share their wealth ultimately succeed and investing in them pays off in the long run.

As always if you have any questions, or just want to catch up we are just a phone call or e-mail away.

Be well,

Ken, John, Will & Patrick

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