ONELIFE Wealth Management
2018 Year End
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This year's biggest stories


Market and economic factors


A look ahead to 2019

Year in review

ADDRESSING THE NEEDS OF INDIVIDUAL INVESTORS AND PLANTING THE SEEDS FOR A SECURE FUTURE.

Biggest Stories of 2018

World

- Trade tension rise globally, led by President Donald Trump's tariffs
- U.S. placed tariffs on $234 billion worth of Chinese goods
- China imposed dollar for dollar retaliatory tariffs
- U.S. placed tariffs of 25% on steel and 10% on aluminum imports
- The Federal Reserve raised interest rates four times this year to 2.50%
- Economic crisis in Turkey
- Brexit deal rejected by British Parliament
- Italian budget rejected by the EU
- Global growth slows significantly
- U.S.-China trade war biggest cause for negative market sentiment

Index Returns (2018 local currency)

- TSX - 11.64%
- S&P 500 - 6.24%
- Dow Jones - 5.63%
- MSCI World - 11.06%

Canada

- The federal government purchased the Trans Mountain Pipeline to keep the project alive
- NAFTA negotiations continued through 2018, with several public displays of animosity
- Negotiations ended with the new USMCA deal
- Canada legalizes marijuana for recreational use
- The Bank of Canada increases interest rates twice this year to 1.75%
- Relations between Canada and Saudi Arabia deteriorate
- Canada publicly criticized Saudi Arabia's human rights record, which resulted in the severance of diplomatic and business ties
- Canada is now looking for an exit to a $15 billion arms deal
- Canada caught in between the U.S. and China's trade war after the arrest of a Huawei executive
- China responds by arresting three Canadians
- Alberta enters crisis, with a global decline in oil and a large discount on Canadian crude
- Canada's energy sector is suffering from massive losses costing the economy $80 million per day
- Hundreds of thousands of lay-offs in Alberta, with 26% vacancy rate in downtown Calgary
- The biggest issue in the sector is Canada's inability to get energy to market

NEWS & EFFECTS

In the same year which saw record highs, stock market returns ended on a negative note. Global trade tensions and tightening monetary policy were the largest drivers of volatility. Most market returns are driven by speculation on future expectations, which are reflective in current prices. Although fundamentals were strong this year, particularly in the U.S., fears of a global slowdown in growth drove markets into the red by the end of the year.

We consider this volatility to be natural, much of which may be considered as a cooling from the Trump tax cuts in 2017. After an entire year of nearly no volatility, fear and uncertainty finally brought indexes to levels which could have occurred had the tax cuts not taken place. We saw these massive drops in February and in the last quarter of 2018, mainly caused by fear and panic in the market. In February, the main concern was rising interest rates and panic in the market.

In February, the main concern was rising interest rates and the effect it would have on returns and debt obligations, for both individuals and corporations. Although increases in interest rates is not abnormal, rates have been at record lows over the last ten years. Borrowing costs have been minimal, with investors now fearing that increasing rates could cause default rates to increase. Much of this fear is from lingering memories of the 2008 financial crisis. Markets entered a period of solid

growth in March, which lead to record highs for the S&P 500, Dow Jones, NASDAQ and the TSX. The positivity ended by October, with the last three months of the year leading each index down over 15% by year end. Again, investors worried about increasing interest rates, global trade tensions and slowing global growth.

Looking ahead with next year's forecast

As 2018 ends on a more turbulent note, we look ahead with the help of expert insight and the use of multiple sources on what a year 2019 could be for our portfolios.

There is a lot of uncertainty in markets going into 2019. From slowing global growth to trade tension, there are many reasons for investors to be skeptical on what will happen. Here, we will describe what we can expect in the next 12 months and how we are positioning ourselves and our portfolios. One theme that we have always and will continue to highlight, is staying invested. Studies have shown that most losses an investor will suffer from are due to mistakes.

Over a 20-year period (1996-2015), individuals earned a return of 2.1% annually, while a balanced portfolio earned as much as 7.2%. Undisciplined approaches typically result in investors buying high and selling low. 2019 is bound to be a bumpy year; the volatility in the last quarter of 2018 will likely persist into the new year but will continue to put your money to work. There are always opportunities to take advantage of lower market prices. How will we position ourselves? We will continue to use our managed money approach, using teams of analysts and portfolio managers, with years of experience, who have navigated through difficult economic times before. We will also make use of the insights they provide, along with other sources such as the U.S. Federal Reserve and Bank of Canada, to keep up to date on new market information. Currently, we have lowered the overall risk, diversified globally and reduced high yield holdings in our portfolios.

> "In the business world, the rearview mirror is always clearer than the windshield."
>
> WARREN BUFFETT

Partner Perspective

Below are upcoming meetings & presentations which we will give up some industry insight into next year

- **January 4** – RBC Chief Economist Eric Lascelles
- **January 7** – Fidelity Portfolio manager Jurrien Timmer
- **January 8** – CI Portfolio manager Stephen Groff
- **January 22 – 24** – CI Outlook Webcasts
- **January 23** – TD Portfolio Manager Ben Gossack
- **January 24** – TD CIO Bruce Cooper