Holyk Doran Wealth Management Group

Market Update – July 10, 2020

To say the world has been turned on its head over the last 6 months is an understatement at this point. It may be overused by now but the word “unprecedented” does most aptly describe what we have seen in 2020 thus far. As we pass the halfway mark, we thought this was a good time to try and summarize the events that are taking place, how we have reacted as your Portfolio Managers, and what we are expecting going forward.

Over the last six months, asset classes saw some of the greatest market volatility in history. For example, after falling nearly 35% between February 21st and March 23rd, the S&P 500 has rallied back and is now almost even, year to date.

While we work from our respective home offices, we have remained committed to our weekly investment committee meetings and consistent exchange of ideas, articles and market stats. There has been no shortage of disagreement and debate as we study every aspect of the investment world, trying to get an edge or find a clue for the next investment idea.

Throughout this challenging process, we are pleased to report that our Balanced Model did not experience nearly the same drawdown that was seen in the equity markets. As of June 30, 2020, we were -0.523% on the year. This compares to the TSX at -7.47%, Dow Jones at -9.55%, and S&P500 at -3.07%. We are proud of this number. There is no better way to gain confidence in your process than when it is tested. Our three basic investment principles remain: a bias towards income producing securities, consistent diversification within a portfolio and buying quality companies.

As we look forward to what the second half of this year will bring, we remain cautiously optimistic - but not for the reasons you might expect. We are optimistic because many investors are not. There is fear in the market and that typically means there is a lot of money on the sidelines, waiting for an opportunity to invest. Central banks and global governments are adding never before seen stimulus to economies at a staggering rate. Interest rates have been reduced to all-time lows and government programs are delivering cash to citizens and businesses to stabilize their finances. While we could debate the pros and cons of such fiscal programs and their effect long term, it is undeniable that they are helping to support the economy. With this stimulus backstop, the economy and capital markets should trade at higher valuations while we wait for the recovery.

We must remember that capital markets are forward looking and will begin to price in a recovery well before it happens. As some companies underperform in this new environment, there are many others who are gaining market share and continuing to grow. We are not looking to invest in cruise ships and airlines currently, but we do own online shopping infrastructure in our portfolios, for example.

After all of this, there are still some big events on the horizon. Continuing to live with Covid-19, US presidential elections, extremely high unemployment, interest rates at 5,000-year lows, and some of the largest asset bubbles in history, just to name a few.

The reality is, many of these events have been priced into the market today. The volatility and headlines will continue but we remain positive in our bias towards income paying securities and our overarching goal of protecting your capital while making you more money.

As always, we encourage you to contact us if you would like to discuss anything further. We will be in touch with you soon.

Thank you for your continued trust in our process and in us.

Sincerely,

The Holyk Doran Wealth Management Group

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

HOLYK DORAN | WEALTH MANAGEMENT GROUP

National Bank Financial – Wealth Management
475, Howe Street, Suite 3000, Vancouver (BC) V6C2B3
604-623-2844 | holykdorangroup@nbc.ca