

October 2016

Third Quarter 2016

Despite the worries of a number of investors at the start of the summer about headline issues in the news including European banks, uncertainty about the U.S. Federal Reserve raising interest rates, continued Brexit fears and the state of the Canadian economy, the third quarter was generally positive with the S&P/TSX Composite Index increasing 4.7% and the S&P 500 increasing by 3.3% during the quarter. The Canadian Dollar fell slightly by 1.6% to \$0.76 versus the U.S. dollar during the summer and Oil was down marginally by 0.6% to \$48.05 U.S. during the third quarter despite a late rally in September after OPEC announced a tentative agreement to cut production. Our Balanced Portfolio was up 2.7% during the third quarter and is up 5.1% year to date as of September 30th.

There was also key development in the Canadian housing market during the summer. On July 25th, the B.C. government announced a 15% tax on foreign home buyers in the metro Vancouver area with the goal of slowing down the unrelenting increases in Vancouver-area house prices. The new tax took effect on August 2nd and started a debate about whether it will meet the objective of making Vancouver housing more affordable for the “middle class” and has many people asking, what are the potential consequences of this tax? Some of the possible reactions by foreign buyers include:

- Foreign buyers accept the higher tax as a cost of doing business leading to little or no change in sales volumes.
- Foreigners adjust and spend more on a lower value part of the housing market in Vancouver and less in the luxury market.
- The capital that foreign buyers earmarked for Vancouver’s housing market may simply shift locations and these buyers will look to park their money in lower tax areas.

The impact of the tax on foreign housing purchases in Vancouver will be measured and analyzed over the coming months, but it remains to be seen if this tax will have the desired outcome of the B.C. government on Vancouver housing prices. - (Source: The Globe and Mail)

	Market	Dec 31 2015	Sept 30 2016	YTD Incl. Dividends
Canada	TSX	13009	14,726	13.26%
U.S.	DOW	17425	18,308	5.10%
U.S.	S&P 500	2045	2,168	6.00%
U.K.	FTSE	6242	6899	10.50%
France	CAC	4637	4448	-4.10%
Germany	DAX	10743	10511	-2.20%
Japan	NIKKEI	19034	16450	-13.50%
Canadian \$		\$72.29	76.18	5.40%
Oil (US\$)		37.02	48.05	29.80%

**Source: CNN Money

Notice!

- **Group Retirement members will only receive the new condensed Annual Summary Statement at their homes each January. Full year-end and interim statements will only be available electronically within the secure website.**

Please contact Maude Financial if you need help logging in to the secure website.

New Look

- **Our website, www.maudefinancial.com has a new look. We have updated the site with information regarding our staff, our products, as well as some frequently asked questions. Let us know what you think!**

Holiday Closures

- **Our office will be closed from December 24, up to and including January 2. We will resume regular office hours January 3, 2017. If you would like to book an appointment or review before the end of the year, please contact our office.**

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Pondering the U.S. Presidential Election

Sharing borders with our neighbors to the south means that it is hard for Canadians to escape the sensational headlines surrounding the November 8th election. The fast approaching U.S. election has all of the makings of a classic given its tightness and the yawning policy divide separating the two candidates. Following the first presidential debate, it appears that Democratic nominee Hillary Clinton retains a palpable but not insurmountable lead in the race for the White House, and as such is the probable victor. In this scenario, the economic implications could be broadly neutral relative to the current trajectory of the economy.

Republican nominee Donald Trump remains a conceivable if somewhat less likely victor, and proposes a plethora of short-term economic stimulus that could elevate economic growth in the years immediately following the election. However, his anti-trade and anti-immigration policies could likely more than offset this tailwind over the medium run, resulting in a diminished economic outlook.

Eric Lascelles, Chief Economist at RBC Global Asset Management, recently stated in a report that “we are inclined to argue that the race is a bit closer than popularly imagined, with perhaps 65% Clinton probability versus a 35% chance for Trump. One reason for this is the fact that the fraction of undecided voters (18%) is a remarkable three times higher than at the equivalent point in the 2012 election. These undecideds could alight just about anywhere.

(Source: RBC Global Asset Management, September 28th, 2016)

Financial market response

Our view at Maude Financial is that the U.S. Presidential Election may cause more volatility in the financial markets in the short term, but that the markets are resilient to political risk in the long term. We do not believe that investors can accurately or consistently profit in the short term from timing market reactions to uncertain political events. Our Investment Management Strategy & Philosophy at Maude Financial will remain the same for our clients regardless of who becomes the next President of the United States.

“It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that, you’ll do things differently.”

- **Warren Buffett**

“Speculation is an effort, probably unsuccessful, to turn a little money into a lot. Investment is an effort, which should be successful, to prevent a lot of money from becoming a little.”

- **Fred Schwed Jr.,**



Being our last newsletter of 2016, Maude Financial would like to wish you, and your family, a very Happy Holiday this coming winter!