



October 2017

### Third Quarter Update 2017

As I write this, it feels more like Winter than Fall. The temperature was -7 degrees this morning and we have 3 inches of snow on the ground.

Most World stock markets are up for the quarter as well as on a year to date basis. The outperformer is still the U.S. market but the effect on our portfolios has been muted by the rise in our dollar in relationship to the U.S. greenback. Our dollar bottomed out early in the year and peaked at almost 83 cents before settling around 80 cents +/- . The net effect on our U.S. content brings the return from over 12% to about 4% to date this year.

Another headwind for balanced portfolios is the increase in interest rates. As rates rise bond prices are negatively affected in the short run. Oil prices are still down about 4% so far this year. There seems to be resistance when prices hit \$50 U.S./barrel. As I said in the previous newsletter, this is not good for government?!

The big turmoil in Canada right now is the proposed changes to the Tax Act with the intent to raise revenue from Canadian corporate small businesses. We will not know the real implications until the legislation is tabled later this fall. We are not recommending any action until the legislation is tabled.

The good news is our balanced portfolios are up about 5.5% so far this year. You'll notice I haven't mentioned Donald Trump once (oops, now I have). I am trying to stay positive.

	Market	Dec 31/16	Mar 31/17	Jun 30/17	Sep 30/17	YTD
Canada	TSX	15,288	15,548	15,182	15,635	2.30%
U.S.	DOW	19,763	20,663	21,350	22,405	13.40%
U.S.	S&P 500	2,239	2,363	2,423	2,519	12.50%
U.K.	FTSE	7143	7323	7313	7373	3.20%
France	CAC	4862	5122	5121	5330	9.60%
Germany	DAX	11481	12313	12325	12829	12.00%
Japan	NIKKEI	19114	18909	20033	20356	6.30%
Canadian \$		\$74.40	\$75.09	\$77.12	\$80.18	7.80%
Oil (US\$)		53.72	50.6	46.33	51.67	-3.80%

\*\*Source: CNN Money

### Did You Know?

Maude Financial has two very competent and friendly licensed administrative assistants ready to assist you with your inquiries. Meet Joanne Graff and Samantha Cochrane! These two lovely women are the voices you hear on the phone and the first faces you see when you walk through our door. After you have met with an advisor and your accounts are active, Joanne and Samantha are available to help you with a full range of administrative tasks such as:

- Updating personal and account information
- Balances and transactions within your accounts
- Deposits and/or withdrawals
- Changes to monthly contributions
- General inquiries to GIC rates
- Life insurance quotes
- Reinvestments

*Maude Financial Inc.*  
 5116 – 50 Avenue  
 Wetaskiwin, AB T9A 0S6  
 Tel: (780) 352-8111  
 Fax: (855) 891-3149  
 Toll free: 1-877-352-8111  
[info@maudefinancial.com](mailto:info@maudefinancial.com)

“Courage is being scared to death... and saddling up anyway.” - John Wayne

## The Laws of Wealth

The human brain is wired to hold on to negative events. This may have been key to our survival against predators long ago but now can be a hindrance to becoming wealthy through investing. Our minds are naturally drawn to thoughts such as “what if the market drops and I lose all my money”?! Investing goes against almost all our natural human tendencies. For that reason, we must rely on automation and the help of financial advisors. Together, they give us the reassurance that we are doing the correct thing even though our minds are telling us to sell everything and run for the hills!

Previous newsletters reviewed Daniel Crosby’s first and second Laws of Wealth\*. Rule #2: “You Cannot Do This Alone”. He explained that research has shown investor’s who work with a financial advisor have greater rates of return over the long term. The research reveals that this outperformance is largely due to the advisors acting as your behavioural coaches, preventing you from making emotional investing decisions.

### Rule #3: Trouble is Opportunity

A market “correction” is defined as a 10% drop in stock prices. A “bear market” is defined as a 20% drop in stock prices. Based on the fact that we are human, we treat any downturn in the market as the end of the world. However, truth be told “they arrive as regularly as spring flowers”. Market corrections occur on average one per year and bear market occurs on average every 3.5 years. That means as an investor, you can expect 10-12 bear markets in your lifetime. Despite the regularity of the market downturns, long term rates of return are still positive.

The problem with a market downturn is not that your account value has decreased, but rather your fearful reaction to that decrease. If you allow fear to take over, you will make irrational decisions. This is completely understandable considering how the human brain is hard wired. However, Crosby suggests that you think “bear markets, recessions and especially uncertainty are the psychological price you pay for strong returns.”

There is true opportunity in market downturns. John Maude equates market declines to a sale. Would you rather buy a pair of shoes for full price or when there is a sale on? Imagine a sale of 20% savings. That would be a great sale on shoes so why not on the market?

Investing challenges the most basic human instincts. To be successful in investing requires you to change your perspective and trust in a good advisor that will assist you in setting up a plan that does not require you to rely on market timing. Advisors also keep you from giving into fear. We are all human, in need of a confidence boost when the going gets tough.

-Bridget Maude

*\*To review the Laws of Wealth covered to date please visit our website.*

*“Markets don’t usually perform the best when they go from good to great. They actually show the best performance when things go from terrible to not-quite-so-terrible as before.”*

*- Ben Carlson*