



2018 Year in Review

The story for the entire year in world financial markets really boiled down to what happened in the fourth quarter (October – December 2018).

We saw a decline in markets around the world with a sharp sell-off in December. The declines were precipitated by worries about slowing economic growth in the two largest economies in the world – the United States and China. Increasing interest rates in the United States and to a lesser extent Canada have injected even more uncertainty for growth.

If you have been following my commentary over the last few years, you will know that I have long believed we are overdue for a market correction. It would be typical to see a correction every 3 ½ - 4 years, but we really have not seen one for over 9 years. So, I will say it again – this is normal! We don't know how long the downturn will last but we do know it presents opportunities for money managers to buy bargains for us. A downturn is needed to set the stage for the next leg up.

Remember that these downturns are all part of the journey. Many of us have forgotten that over the last few years due to fairly steady market increases.

Our balanced portfolios have performed very well against the markets; they are down about 3-4% for the year, while many stock markets are down anywhere from 6% to 13%. This means that the balanced portfolios, which are a mix of fixed income and equity funds, did exactly what they were designed to do: provide some downside protection.

Here in Alberta we saw our Western Canadian select oil trade as low as \$15US per barrel. West Texas Crude also dropped from \$73US in September to \$45.81US at the end of the year. This will certainly hurt revenues for the provincial government.

It is amazing how many people somehow believe that the Alberta and Canadian governments actually have an effect on oil prices. This is simply not true. If you are looking for a place to put blame, try the United States and the world oil market. A world oil glut pushed prices down, and that surplus had nothing to do with any action or inaction on the part of our governments.

I think volatility is here to stay for awhile. Markets do not like uncertainty, and trade wars and politics by Twitter provide that uncertainty in spades.

	Market	Dec 31/17	Dec 31/18	YTD
Canada	TSX	16209	14323	-11.64%
U.S.	DOW	24719	23327	-5.63%
U.S.	S&P 500	2674	2507	-6.25%
U.K.	FTSE	7688	6728	-12.49%
France	CAC	5313	4731	-10.95%
Germany	DAX	12918	10559	-18.26%
Japan	NIKKEI	22765	20014	-12.08%
Canadian \$		79.59	73.70	-7.40%
Oil (US\$)		60.12	45.81	-23.80%

**Source: CNN Money

January 2019

Did You Know?

The annual contribution limit for Tax Free Savings Accounts increased to \$6,000 for 2019. Contact us to set up monthly pre-authorized contributions or make a lump sum deposit to your TFSA.

The Tax Free Savings Account is by far the most underrated financial vehicle in Canada today. It has phenomenal long-term value to Canadians.

***– John Maude,
Life Insurance Advisor***

Annual Statements and Tax Slips

Group RRSP Contribution receipts for 2018 will be available online and will begin to be mailed on January 31, 2019. Receipts for contributions made in the first 60 days of 2019 will be available online and mailed beginning March 25, 2019.

T3 slips for Group Non-registered accounts will be mailed out beginning February 25, 2019.

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

Important RRSP Dates

The RRSP deadline for 2018 is March 1, 2019. Our office will be accepting contributions via personal cheque until February 22, 2019 and lump sum contributions pulled directly from clients' bank accounts until February 28, 2019.

The Laws of Wealth

Our last newsletter reviewed Daniel Crosby's seventh Law of Wealth from his book *The Laws of Wealth*. Rule #7: Forecasting Is For Weathermen. This chapter explains that financial analysts all have their angle and at the end of the day, any statement about the future is really speculation, no matter how well-informed that expert may be. In fact, studies have shown that the more confident and famous the analyst was, "the worse his predictions tended to be".

Crosby reiterates that the key to financial success is not trying to outguess the markets, but rather to adhere to the basics. Make regular, automated contributions to your accounts, maintain focus on your long-term goals and have a trusted professional who will prevent you from panicking when things get rough.

Rule #8: Excess Is Never Permanent

The timing of this chapter summary could not have been better! Alas, the time has finally come where buying opportunities are plenty - which is the positive way to say that markets have taken a bit of a tumble.

Since March 6, 2009 we have benefited from a bull market. As Crosby explains in Chapter 8, humans are "wired to expect consistency". After almost 10 years of growing markets, we have come to expect positive returns. It is for this reason you might be feeling incredibly anxious, since your statement says you have less money in your account than the previous statement. However, this chapter soothes our anxieties by reiterating that markets are cyclical and tend to revert to the mean.

Periods of exceptionally high returns are followed by periods of low returns and vice versa. Winner stocks eventually go on to be losers and today's losers can be tomorrow's winners. As Crosby points out, every period of economic prosperity has within it the seeds of the next crash. The "excess" of continuous growth is simply not sustainable in the long term.

Crosby encourages investors to be aware of the impermanence of excess and prepare yourself, and your finances, for the inevitable downturn. Know that, as Warren Buffet puts it, "this too shall pass away". In our experience, the markets, with all their highs and lows, are much like the weather in Alberta. If you don't like it, just wait a few minutes – it will change!

Buffet also advises investors to "be greedy when others are fearful and be fearful when others are greedy". Those who can stay the course, understanding that the upswing can't last forever and taking advantage of opportunities created by market corrections, will be in the best position to achieve their financial goals.

**To review Crosby's other Laws of Wealth covered in our newsletter to date, please visit our website.*

Anyone who thinks steady growth can continue indefinitely is either a madman or an economist. – Kenneth Boulding