



The David Miner & Associates
Communiqué
Winter 2021

*"Success is the sum of
small efforts repeated day
in and day out."*

—Robert Collier



Moving Forward!



Few of us were sad to say “goodbye” to the year 2020. Yet, as we get deeper into the new year, pandemic restrictions remain a daily irritant as patience has begun to wear thin for many. Delays in vaccine roll outs and the appearance of mutant strains have served as a drag on morale and begs the question – is it safe to even consider planning travel before 2022? Many of us long for an escape from the monotony and stress of pandemic living.



David, Dorinda and Bam on the Waterfront Trail.

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The world has changed noticeably. In some ways for the better and perhaps even permanently. When pandemic restrictions eventually abate, we will find ourselves living in a future where, how we work, commute, and interact socially will have been forever changed.

Education is one arena where the stage had long been set for digital transformation, but the necessary catalyst has not pushed us past the tipping point. In person learning will never go away and is particularly important for early development and socialization, but the online experience allows for greater capacity in education and at lower cost. One professor can instruct thousands of students at once and is no longer constrained by the size of the lecture hall.

As the “footprint” of education shrinks, requiring fewer classrooms and accommodating increasing class sizes, future generations will enjoy greater access to affordable, quality post-secondary learning.

Looking at the bigger picture, the pandemic may have caused the pendulum to swing towards localization or nationalization of strategic initiatives. Globalization has provided access to many of the best products and services from around the world at the lowest prices, but in times of crises it highlights a glaring weakness. Our inability to produce the vaccines on home soil has been crippling, since both the US and EU have prioritized vaccination of their citizens over exports to other countries. In the aftermath of the pandemic, Canada may need to reestablish its own critical capabilities for those which our nation requires to survive and thrive – food supply, healthcare, manufacturing, technology, and infrastructure.



Sisters Nalina and Maya celebrate Maya's 3rd birthday.

The pandemic has been both difficult and tragic, if we are lucky, it will be a once in a lifetime experience. These are certainly interesting times and progress born from innovation will be one of the few silver linings we can count on when we emerge from this.

ECONOMY and MARKETS

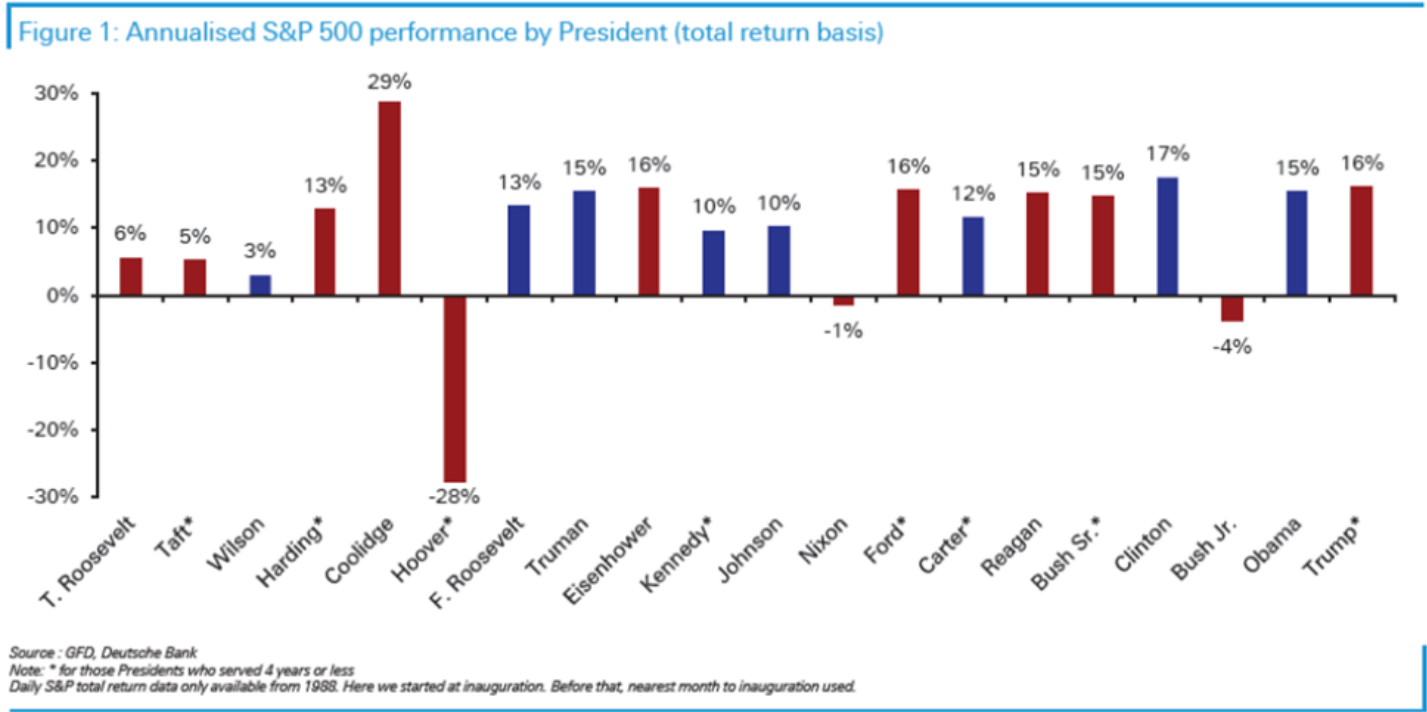
Diversification across asset classes and geography won the day in 2020. According to Morningstar, the total return (includes reinvestment of dividends) for the S&P/TSX Composite Index was 5.6% while the S&P/TSX Composite Dividend Index total return was 1.1%, indicating that the basket of dividend paying Canadian stocks underperformed the broader Canadian markets. More importantly, the US S&P 500 Index total return was 16.3% while the MSCI World Index total return was 14.5% (both in Canadian dollar terms). Interest rate cuts in the spring of 2020 boosted bond market returns and enhanced the risk-adjusted returns of portfolios which incorporate fixed income.

Trump and the Republican party suffered a 3-way defeat in the White House and both Houses of Congress. While the autopsy of the Trump administration will continue for years to come, our focus is on the impact of politics on financial markets. Should we concern ourselves with the “politics du jour” affecting our investments? Or do financial markets have a mind of their own?

The answer is not clear cut and often the policies enacted by one administration are not felt until subsequent administrations take office. For example, several measures taken during the Trump years allowed for the tax-advantaged repatriation of billions of dollars previously held offshore, which in turn increased after-tax corporate earnings and drove stock prices higher. While that sounds wonderful, under the same administration, the growth of the US national debt accelerated. With tax revenues declining, it will be difficult to service the growing debt in the future; let alone maintain existing government programs. To address this, Joe Biden's platform included increases to U.S. corporate tax rates and thus far, the stock market does not appear to have been spooked by that.

Fiscal policy (economic stimulus & taxes), monetary policy (money supply & interest rates) and regulation are interventions that governments typically rely on to navigate challenging times for their economies. However, in the long run, it is free enterprise, that allow businesses to prosper (or fail), compete with one another, create employment & wealth, and ultimately sustain or grow an economy. While politics cannot be ignored, governments are not the driving force behind wealth creation.

The chart below (S&P 500 Performance by President) shows the history of the S&P 500 index during the administrations of the last 20 U.S. presidents. Only three presidents (all Republican) saw the U.S. stock market possess negative annualized returns.



Champagne and roses for Dorinda’s Birthday.

With pandemic economic relief programs for individuals and businesses, low interest rates, and vaccinations being rolled out to populations around the globe, markets are pricing in that economies will steadily (if not slowly) recover from the recession of 2020. Historically low interest rates provide a strong underpinning for stock market performance since many bond offerings around the globe are yielding less than one percent annual returns.

“Wealth isn’t primarily determined by investment performance, but by investor behavior.”
—Nick Murray

GAMESTOP

A couple weeks back it would have been difficult to turn on the news or have a discussion with family, friends or clients without some observation being made regarding the phenomenon that has been the GameStop trade. This story has tugged at all the archetypes that could capture an audience when it comes to markets – Main St. vs. Wall St., greed, complex financial instruments, fear of missing out, conspiracies and bubbles. Pandemic induced boredom surely set the stage for a captive audience (listening to politicians tell folks to stay home, or expert opinions on how long lockdowns will last remains interesting for only so long). As quickly as the stock price rose and fell, so too did everyone's interest in the situation. Unfortunately, like bubbles before it, there were ordinary folks left suffering unbelievable losses for gambling on a situation they did not understand. The market distortions caused by the combined effect of short sellers and options traders were so far out of sync with the realities of this company that this could only end one way. The story raises all sorts of interesting questions about the impact of social media on markets, whether brokerages should have been able to restrict investor access to trading, and whether this necessitates any structural or regulatory changes.

RRSP Contribution Deadline for the 2020 Tax Year is Monday, MARCH 1, 2021

After March 1, 2021 at 4:00 p.m. EST, any RRSP deposits received will qualify for the next taxation year only. Please contact us early if you want to make an RSP contribution for 2020. Contributions can be made electronically in most cases!



A reminder from Bam the Wonder
Dog that the RRSP contribution
deadline will soon be here!

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