

December 18, 2020

In 1810 the wealthy financier Nathan Rothchild once commented, an investor should “buy to the sound of cannons and sell to the sound of trumpets”. In other words buy when the war starts (and the outlook is bleak) and sell when victory is at hand and the outlook is bright.

The best investment outcomes begin during times of great discomfort.

During the previous 15 epidemics and pandemics (including the Spanish Flu of 1918 that resulted in 20 million deaths), the market on average, increased 9.9% within 12 months. In March the COVID war started, the cannons were going off, fear and panic crashed the markets creating an incredible buying opportunity. To many it was unimaginable that 2020 would turn out to be anything but a disaster but here we are with less than a month to go and we are on track to do better than a 9.9% rebound with the potential for a pretty good year. The virus is still with us and cases continue to climb, but the fear, panic and manic market is now behind us. November was a record month in part because we are close to having a vaccine in the war against COVID.

So now what, are the trumpets sounding and time to sell?

The easiest money has been made but with interest rates at all-time lows and record amounts of growing cash on the sidelines earning nothing there is still no real alternative to stocks or real estate. The trumpets we want to listen for will involve interest rates and copper. Government set interest rates are expected to remain unchanged till 2023 but it's the market rates such as the ten year bond currently yielding under 1% and copper which is above \$3.50 per pound. We will want to keep an eye/ear on these two factors because they are both rising and they signal economic turnaround and portend future inflation.

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Too many people have become comfortable with the concept of cheap money and piling on more debt is ok because of low rates. I get concerned with things when no one seems to be concerned. You can't borrow your way to prosperity and our governments seem to be in favor any policy that adds to the debt with no end in sight. The latest budget numbers paint a picture of rising debt with declining productivity out to 2025 which is akin to being ok with doubling your mortgage with half of your income. This all works till it doesn't work and I have said many times that

interest rates are like the gravity of the financial system, with rates so low money is just flying around. If and when interest rates gravitate to more normal levels, it changes everything. That does concern me and I am monitoring the implications closely. As always, we are cautious but also opportunistic.

After all the drama this year and the nice rebound in November I am hoping Santa gives us a nice quiet December. A year like this really makes you appreciate all of your blessings. So as 2020 winds down I just want to say how much we appreciate the trust and confidence placed in us through this challenging year.

Sincerely,

A handwritten signature in black ink, appearing to be 'DL', written in a cursive style.

Darren J Luck, CIM®
First Vice President, Portfolio Manager
The Luck Financial Group

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