Notes from the Bridge

Canaccord Genuity Wealth Management

Benson Private Wealth

Issue 6 **Friday, February 8th, 2019**

From the State of The Union address to reported slower global GDP growth to strong Canadian employment data, there was quite a bit of news this week. However, with focus beginning to shift from what could go right to what could go wrong, real assets and gold have an increasingly important role to play.

While I have infrequently suggested owning gold, today's macro environment is telling me that holding some gold throughout the next year or two could be very effective in enhancing overall returns. Gold historically benefits during periods of market turmoil, and with the laundry list of challenges facing the global economy seemingly growing by the day, the price of gold has begun to respond.

As we begin 2019, we have seen North American capital markets swiftly rebound from the near panic driven oversold conditions that existed in mid-December. Obviously, this is a good thing. However, bond markets have continued to see yields decline, suggesting to me that the broad equity indices could struggle going forward. I am not completely negative on equities, as dividend paying defensive sectors like utilities, real estate, consumer staples, and healthcare should continue to be owned within a diversified portfolio. Rather, that other sectors trading at much higher valuations may send cross currents though markets, resulting in the broad passive index that struggles to move higher.

So yes, to owning equities. The qualifier being that we own the appropriate type of risk given a decelerating global economy. This is where gold comes in, within the context that the **SPDR Gold Trust ETF** be held as portfolio insurance.

Forty years ago, central banks around the world faced a very similar situation, not exact, but similar. Coming off an oil price shock, economies slowed, and inflation began to revive itself. Shortly thereafter, the US Federal Reserve cut interest rates. The resulting scenario was a multi-year period of even stronger inflation, a declining US Dollar, and a substantial increase in the value of gold.

We are not going to have an exact replay of that, but rather I am suggesting the same economic variables look to be playing out today. The US Federal Reserve has quickly moved dovish lately (with some suggesting their next move is indeed a cut in rates) global economic growth is slowing, and the strong US Dollar just may have peaked and has begun to edge lower.

We could certainly witness a plot twist, especially with a highly unpredictable White House, but history has shown us that the perfect scenario rarely happens. Thus, some portfolio insurance in the form of gold seems prudent.

Erik Benson, CFA, CIM
Investment Advisor &
Portfolio Manager

Lori Kennedy
Investment Advisor Assistant

Jena Karmali
Business Development Associate

Strategic Partners

Paul Marion, CLU, CHS
Managing Director, Wealth
Management – Canada
Canaccord Genuity Wealth &
Estate Planning Services Ltd.

Anne Jackson, BBA, CMA
Wealth & Estate Planning
Specialist

Now, gold may not be the right type of insurance for everyone, especially those requiring income, as gold does not pay a dividend. Where that is the case, other real assets or protection strategies could provide a similar experience.

On a final note, this week Merrill Lynch released results from a client survey indicating that a significant percentage of Americans over the age of 55 do not have a will. Maybe take a few minutes this weekend to review that this important document for every household financial plan, is up to date.

Have a wonderful weekend with friends and family.

Erik Benson, CFA, CIM
Benson Private Wealth

This Week's Market Numbers

S&P/ TSX Composite	15,506
Dow Jones Indus. Avg.	25,063
S&P 500	2706
Canadian/US Dollar	$0.7561
US/Canadian Dollar	$1.3224
Euro / Canadian	$1.5095
Gold	$1322.60
Silver	$15.93
Copper	$2.77
Brent Crude Oil	$62.80
WTI Crude Oil	$55.30
Natural Gas	$2.74