

# Notes from the Bridge

CANACCORD Genuity  
Wealth Management

Benson  
Private Wealth

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A lot of 'same old / same old' this week when it came to economic and political headlines, so we remain in this goldilocks frame of mind. That is a good thing, however we are also beginning to see signs that this might be about to change.

The signal that once again has me concerned is that the 10-year U.S. Treasury is once again touching the 3% yield level, but more importantly that the spread between the 2-year and the 10-year is now the narrowest it has been since the financial crisis. With the U.S. Federal Reserve fully expected to raise the key overnight lending rate later this month and again in December, it is my opinion that bond yields are going much higher than 3% and that the yield curve inverts at some point in 2019.

With the global economic expansion becoming less synchronized over the past few months, fiscal policy stimulus having nearly fully run its short-term course, and trade tariffs beginning to impact consumer prices and corporate earnings growth, that signal is telling me to reduce my growth risk and move defensively going forward. Now there are a lot of different ways to do that, and those will be unique to your plan.

One way to do this is with real estate. Investments in real estate properties are often synonymous with a sense of security. Being defensive in nature, real estate tends to generate income that exceeds both stock dividends and bond interest, and grows at or above the rate of inflation. This is not to say all real estate will give you this same benefit, because it won't. But identifying real estate that can be acquired below its net asset value certainly can.

For most investors, building a portfolio of directly held global real estate is not financially possible. However, employing a back to basics approach, focusing on diversification by both geography and asset class, within the universe of REITs can provide that same benefit. It is my belief, that owning real estate which provides a sustainable yield and does not duplicate my holding of Vancouver residential real estate, reduces my overall volatility and improves the efficiency of my portfolio.

Over the past several commentaries I have written about different opportunities that can be taken advantage of within this later stage of the market cycle. While not every opportunity will be appropriate for every investor, the reduction of equity risk is. It is the 'how' that will differ.

For some it will be adding gold assets, for others it will be the rotation of growth equity to value equity that includes emerging markets. This week I am suggesting that for the investor who has a greater need for income within their portfolio, that real estate be that opportunity to be evaluated.

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As many of you will already know, I have been a proponent of investing in real estate for a very long time. However, not all REITs or real estate is worth owning, and my priority will always be to take the right risks to achieve your goals.

Have a wonderful weekend with friends and family.



Erik Benson, CFA, CIM  
Benson Private Wealth

**Please join us for this exclusive event, featuring industry leading CEOs and our Canaccord Genuity Real Estate research team.**



**The real estate market is at a critical juncture, these industry experts will shed light on the risks and opportunities.** This event will feature exciting presentations from four industry leading CEOs as well as a panel discussion led by our Real Estate Analyst, Mark Rothschild.

Date: Monday, October 22<sup>nd</sup>, 2018  
5:00 PM Registration & hors d'oeuvres  
6:00 PM Presentation

This event is by invitation only, please RSVP at your earliest convenience. We look forward to seeing you.

## This Week's Market Numbers

S&P/ TSX Composite	16,013
Dow Jones Indus. Avg.	26,154
S&P 500	2,905

Canadian/US Dollar	\$0.7669
US/Canadian Dollar	\$1.3036
Euro / Canadian	\$1.5153

Gold	\$1199.00
Silver	\$14.11
Copper	\$2.62

Brent Crude Oil	\$78.10
WTI Crude Oil	\$68.97
Natural Gas	\$2.77

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