

Notes from the Bridge

CANACCORD Genuity
Wealth Management

Benson
Private Wealth

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The Canadian economic growth rate has slowed recently, relative to the strong start we had to the year, however, the labour market continues to strengthen. Although growth indicators have ticked lower, employers are still adding to their workforce as well as increasing their wages.

It is notable that recent employment growth was well above forecast, suggesting that our economy may just be set to resume the stronger growth witnessed earlier this year. Widely dispersed economic growth coinciding with rising employment and wages, could very well begin to pose a dilemma for the Bank of Canada. A balancing act that I am paying close attention to.

Last week the Bank of Canada, appropriately, decided to leave interest rates unchanged despite our economy having nearly eliminated its spare capacity. With rising global economic momentum driving strong demand for the industrial commodities that Canada produces, it should be expected that the recent slowing trend in Canadian exports (especially to emerging markets) begins to reverse itself.

While reported core inflation (excluding food and energy) remains relatively benign, rising employment and wages should begin to change that. The real question then becomes, how long does the Bank of Canada stay on hold with rates and risk being behind the curve when it comes to inflation? Although that I cannot give you an exact answer to that question, I can tell you that I expect those rates to rise in the first half of next year.

Therefore, putting the investment pieces in place today that should be expected to perform well once Canadian headline inflation and interest rates do begin to rise is prudent planning. Assets like global bonds (not domestic bonds) and real assets such as global non-residential real estate and infrastructure are going to become valuable assets within any portfolio.

Considering that the capital markets tend to be forward looking, we will want to begin adjusting for higher inflation before we get confirmation of it. Again, I cannot say exactly when that will occur, but typically anytime you see a key economic input (like inflation) change you tend to see volatility pick up. Which could be the trigger the markets need to take a breather.

Historically real assets are defensive, making them an attractive long-term solution given their unique characteristics. Assets like toll roads / bridges, electrical grids, energy storage and transmission. Even commercial and industrial real estate, with their long-term contractual revenues producing stable and predictable cash flows, which provide an offset to inflation, offer real merit today.

With inflation being a significant market force that can slowly deteriorate the real value of the savings you have built over your lifetime, I would advocate that investors become increasingly defensive and begin to move beyond the

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traditional balanced portfolio.

Have a great weekend, and don't forget to turn your clocks back Saturday night for Daylight Savings.

Thank you for taking the time to read this week's commentary. Please feel free to share with those you care about.

Respectfully,

Erik Benson, CFA, CIM
Benson Private Wealth



This year's event will feature individual company presentations exploring the themes, issues and opportunities impacting real estate investments in both Canada and the United States.

Please RSVP should you wish to attend. Please feel free to bring a friend or neighbor.

Date: Monday November 27th,
Time: 5:00 PM Registration and hors d'oeuvres
6:00 PM Presentation

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,952
Dow Jones Indus. Avg.	23,426
S&P 500	2,579

Canadian/US Dollar	\$0.7796
US/Canadian Dollar	\$1.2826
Euro / Canadian	\$1.4877

Gold	\$1273.60
Silver	\$16.84
Copper	\$3.10

Brent Crude Oil	\$60.40
WTI Crude Oil	\$53.95
Natural Gas	\$2.97

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