LIFE CYCLE FINANCIAL

iA Investia Financial Services Inc.

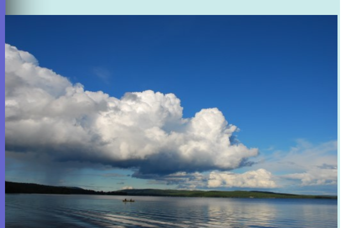
July 2018

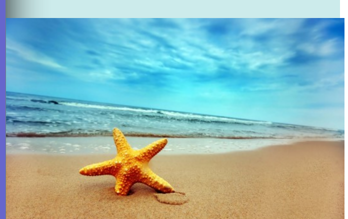
Market Focus

Quarterly Newsletter

Summer is finally here, with warmer days still ahead.

We wish everyone a safe and happy season.





BoC raises key interest rate target to 1.5 per cent

Canadian Press July 11, 2018

OTTAWA -- The Bank of Canada raised its benchmark interest rate Wednesday in an economy that it predicts will remain resilient even as it faces an even bigger bite from deepening trade tensions.

The rate hike was the central bank's first interest rate move in six months and lifted the trend-setting rate to 1.5 per cent, up from 1.25 per cent. It was the bank's fourth increase over the last 12 months and the first time the rate has been this high since December 2008.

The bank took the step even as it predicts larger impacts from the widening trade uncertainty, particularly after the United States imposed steel and aluminum tariffs on Canada and Ottawa's retaliatory measures. The tariff fight, the bank estimated, will shave nearly 0.7 per cent from Canada's economic growth by the end of 2020.

However, the negative blow of the trade policies recently put in place to be largely offset by the positives for Canada from higher oil prices, which are above US$73 per barrel, and the stronger U.S. economy, the bank said.

"Although there will be difficult adjustments for some industries and their workers, the effect of these measures on Canadian growth and inflation is expected to be modest," the bank said in a statement.

U.S. tariffs on the auto sector's integrated cross-border supply chains would have "large impacts on investment and employment," the Bank of Canada warned Wednesday in its accompanying monetary policy report.

Canadian businesses must also contend with the uncertainty surrounding the difficult renegotiation of the North American Free Trade Agreement, for which talks have stalled.

The Bank of Canada also has its eye on how widening global trade disputes, including an intensifying battle between the U.S. and China, will affect the world's economy. It warns that "escalating trade tensions pose considerable risks to the outlook" at the global level.

Even with the trade issues, the Bank of Canada is now predicting slightly stronger growth for Canada over the next couple of years, according to updated projections it released Wednesday in its quarterly monetary policy report.

It expects real gross domestic product to grow 2.2 per cent in 2019, up from its April call of 2.1 per cent, and by 1.9 per cent in 2020, compared with its previous prediction of 1.8 per cent. The economy's growth projection for this year remains at two per cent, the bank said.

Looking ahead, the bank predicts Canadian growth will continue to see bigger contributions from exports and business investment, which were both stronger than expected in the first three months of the year.

At the same time, household spending will represent a smaller and smaller share of overall growth due to the dampening effects of higher interest rates and stricter mortgage rules, it said.

Economists anticipate several more hikes this year and in 2019.

Canada’s big banks raise prime rate to 3.7% after Bank of Canada rate hike

The Canadian Press

TORONTO -- Canadian banks say they will raise their prime lending rate after the Bank of Canada increased its overnight lending rate to financial institutions.

Royal Bank, TD Canada Trust, BMO , CIBC , National Bank, and Scotiabank all say they will increase their prime rate by a quarter of a percentage point to 3.70 per cent, effective Thursday.

The rates had previously been set at 3.45 per cent.

The increase will raise the cost of borrowing for customers with loans linked to the prime rate such as variable rate mortgages and lines of credit.

The Bank of Canada raised its target for the overnight rate a quarter-point to 1.5 per cent Wednesday.

It was the central bank's fourth rate increase in the last 12 months

Trump and his Trade Wars

From *Signature Global Asset Management*

By Jean-Philippe Bry, July 7, 2018

With so much rhetoric from the Trump administration on tariffs and trade wars, we believe it's helpful to provide an overview of recent developments and our take on how they could pan out. Even though markets have corrected, especially those most dependent on trade, they are arguably still seeing Trump's manoeuvres as a tactic to drive better conditions for the U.S. to lower its trade deficit. However, uncertainty on this strategy is rising and will likely rise further in the weeks ahead.

Flawed economic logic

The logic behind Trump's trade initiative is deeply flawed, which means it is not likely to succeed in achieving his goal of lowering trade deficits. The U.S. problem is one of too high consumption and too little savings. Americans have consumed more than they produce for over a generation. Trump says the world uses the U.S. as a piggy bank to steal from, when in fact it is the exact opposite. It is the rest of the world's piggy bank that the U.S. feeds off to finance their over consumption. The result is trade and current account deficits. Scrapping the global trading system, symbolized by the World Trade Organization (WTO), in favour of bilateral deals like the one Trump is trying to negotiate with China, will not solve the U.S. trade deficit problem. Assuming a deal is eventually signed with China, goods that are curtailed from that country or taxed via tariffs will be moved to another country. So, the U.S. trade deficit with China might eventually improve but will increase with a third country, keeping the overall trade deficit intact. That is the nature of our globally integrated economic system. Conceivably the U.S. could impose tariffs globally, but this is arguably a nuclear option that has not been proposed. This would stifle trade and likely send the global economy into recession. Such a probability is currently very low.

A possible solution to the U.S. trade deficit, without going into extensive detail, is to encourage higher savings which lowers consumption, make debt less attractive and, most importantly, introduce initiatives to improve the long-term competitiveness of the U.S. via education and training. None of these are attractive short-term solutions for politicians judged on economic performance. Certainly, balanced budgets would also help. Higher budget deficits stimulating the economy means society consumes more and, in the case of the U.S., imports more.

Losers and bigger losers

Markets have repriced to reflect higher tariffs and some higher costs, but are still not pricing for a dramatic escalation of the trade war. Markets are still betting this is a trade tactic on the part of Trump and we would tend to agree. The problem is that one must be ready to see that strategy through to its logical end. In other words, it needs to keep escalating to create the necessary tension to drive the targeted countries, whether China, Europe or NAFTA partners Canada and Mexico, to the negotiating table. This is why the threats from Trump keep coming, the latest being tariffs on European cars. Arguably, this will also be implemented to heighten the pressure. Interestingly, the collateral damage is predominantly being borne by the largest trading nations. This is the reason Trump claims the U.S. can easily win a trade war. What he really means is that the U.S. loses less than the rest of the world – a correct assumption based on the table below from CIBC. Those countries most dependent on trade, calculated by adding total export and total imports as a percentage of GDP saw their markets drop the most, year to date. Germany, Korea and Canada have suffered most. The U.S., which trades less than most nations, saw its stock market perform better as did Japan. So, everyone loses but the U.S. less so.

What's next?

Escalation is a necessary part of Trump's strategy, but it entails risks. Companies might prefer to wait before investing in the U.S. or elsewhere until there is more clarity on how the situation evolves. That could undermine general market confidence and increase costs on companies that delay investment. The European tariffs on Harley Davidson are forcing the closure of some U.S. production. There will likely be more closures in the U.S. and other parts of the world. For now, this remains very small and should not be exaggerated. China is likely to want to find a negotiated solution with the U.S., but it also has a long-term domestic and global agenda that suggests they will not easily acquiesce to U.S. demands. This is already affecting emerging markets negatively. Global markets have weakened more than those in the U.S. as noted above, but the impact of U.S markets could rise with further global deterioration and fears over the escalation.

Politics in the U.S. are already toxic, but Trump's tariffs are popular with his base and Republicans in general. Democrats, meanwhile, are moving left but are also increasingly favourable to more protectionist measures. How much of Trump's trade war remains part of a lasting legacy with more protectionist politics remains to be seen. We would argue that protectionist politics are set to continue beyond Trump with negative long-term implications for markets.

The "Trump put"?

Trump reacts to force both politically and economically. He maintains positions but will reverse them relatively easily when he sees they will hurt him politically. A case in point is the recent controversy around the separation of migrant families that saw over 2,000 children separated from their parents. The pressure and negativity associated with the policy were beginning to affect

Trump politically which caused him to relinquish his position. Would the same happen if the market dove 10% on the back of trade tensions? Arguably yes because Trump has tied his economic success with the stock market.

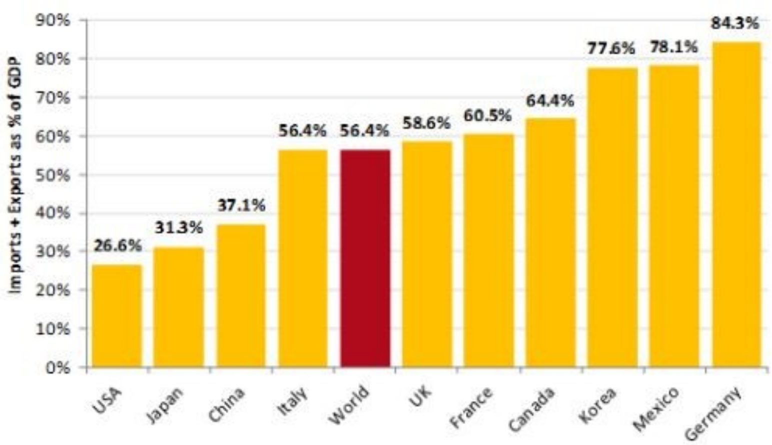
What concerns us?

Longer-term, the cost of doing business generally is going to rise. This will have to be absorbed with companies accepting lower margins or consumers paying higher prices. We are in the late innings of the economic cycle but in the middle innings of the inflationary cycle. Adding costs with tariffs at a time of full employment could accelerate the inflationary cycle and

bring forward interest rate hikes in the U.S. Confidence in the global order continues to deteriorate on the back of Trump's policies that seek to undermine well-established U.S. institutions. Even NATO appears threatened under Trump. Rising rates and quantitative tightening in the U.S. are reducing liquidity in segments of the financial markets – developments that need to be monitored. The U.S. economy remains strong but Europe and emerging markets have slowed even if they remain at decent levels.

Conclusion

Assuming that trade deals can be made – hopefully in the next few months – despite their economic flaws, the world can return to some normality on trade and move on, likely with a lower U.S. dollar and a rebound in emerging markets. The resilience of the global economy currently allows the markets to absorb many of these negatives, but the longer they continue and escalate the more confidence is eroded, threatening that resilience. Volatility is likely to rise as trade disputes escalate and linger, causing market disruptions and possibly some backing off from either the U.S. Federal Reserve and/or Trump watering down his demands. Our positioning remains neutral with a bias towards late-cycle sectors in equities, but we will be in a position to move rapidly as events unfold over the next several months.



	2018 YTD Total Return	
Country	Local Terms	USD Terms
USA	2.8%	2.8%
Japan	-1.0%	1.3%
Australia	4.8%	-0.7%
France	2.0%	-1.1%
UK	0.2%	-2.0%
Italy	0.1%	-2.9%
Canada	**1.8%**	**-4.2%**
Germany	-5.3%	-8.2%
Korea	-6.6%	-10.5%

Source: CIBC. Market figures taken as of June 27, 2018

Rural B.C. Realtors troubled by new real estate rules

Regulations take away choice of the consumer, says MLA

Williams Lake Tribune– June 15, 2018

New B.C. Realtor rules will disproportionately affect rural Realtors, said Liberal Cariboo Chilcotin MLA Donna Barnett.

The new rules are intended to protect consumers in B.C.'s real estate market, and prevent real estate agents from representing a buyer and a seller at the same time — otherwise known as "dual agency."

Barnett said that the rules essentially take away the rights of consumers to chose who they want to buy and sell their house.

The new rules, put in place by the Office of the Superintendent of Real Estate, are intended to address the practice of "shadow flipping," where realtors exploit consumer interests for their own profit.

Barnett, a formal Realtor herself, said there has always been a high amount of disclosure and ethics when it comes to Realtors, and that a few who don't obey the rules shouldn't make it harder for everyone else.

David Jurek, the co-owner of RE/MAX in Williams Lake and 100 Mile House, and also a director on the BC Northern Real Estate Board said that while real estate agencies will adapt to the new rules, the biggest impact will likely be on the consumer.

"In big cities this will work not terribly horribly, because they won't find themselves in a conflict like we may on a daily basis. Some of our clients may be told that we can't represent them, or that they will have to use another Realtor that they don't necessarily know."

The regulations also require Realtors to disclose any information or prior relationship they may have had with a buyer or a seller that may represent a conflict of interest and may require they refer the transaction on to someone else — someone whom the buyer or seller may not know. In a small town, where the choices of Realtors are fewer, the conflicts can come into play more frequently, possibly resulting in bouncing clients around.

"We have a small number of Realtors dealing with a high number of clients, and that's where the conflicts come into play because you learn about these people," said Jurek, adding that the market may not have the space to make room for more Realtors, particularly in slow winter months.

Barnett said that the rules as they stand could have affected as much as 75 per cent of her former business. She worries that consumers will end up choosing not to go with a Realtor, and thus have less protections. In agencies where Realtors are family members, she's concerned real estate offices may end up closing.

She said she's fought the issue in the B.C. Legislature, at least asking for a delay in the implementation of it, so that the "unintended consequences" can be better understood.

The new rules are complex and somewhat confusing, said Jurek, and while he said his Realtors have the tools to work with the new rules, he hopes consumers will speak out about the effect they have on them.

"The way of doing business is totally different. Even for the industry it is going to be a learning curve," he said.

"As a group of individuals we will adapt. I just believe strongly the consumer is going to be the one sitting at the table saying how does this all make sense?"

Still, he said they'll make do.

"It's going to be a pain. People are still going to buy and people are still going to sell, we just have to mix those people in the office. The sellers and the buyers are going to be bounced between people and won't understand why."

He hopes that as the new rules come into effect, regulators will see they don't necessarily work in all markets and will make allowances for rural markets.

"The intention is that they are looking out for the client, but if you and I sat down to do a deal today, you would find that you are the one being penalized and not me."

Quarterly Demographic Estimates

January to March 2018

Highlights:

Canada's population passed the 37-million people mark in the first quarter of 2018, when its total population was estimated at 37,067,011 on April 1, 2018.

It took two years and two months to grow from 36 to 37 million people—the shortest length of time ever observed in the country for an increase of this magnitude since 1972.

Between January 1 and April 1, 2018, Canada's population grew by 103,157 (+0.3%), the second largest increase in number for a first quarter since 1990.

In the first quarter of 2018, Canada's population growth was primarily attributable to international migration (+88,120), a level never before seen in a first quarter.

Population growth was higher in Nunavut (+0.7%), in Ontario and in Alberta (+0.4% each) than in Canada.

The population is growing everywhere except in Newfoundland and Labrador

The population grew in all provinces and territories in the first quarter of 2018, except in Newfoundland and Labrador (-0.3%). Nunavut (+0.7%), Ontario and Alberta (+0.4% each) had higher population growth rates than Canada's (+0.3%).

Compared with the same period last year, an increase in the population growth rate was observed in Ontario, Alberta, Yukon and Nunavut.

In Quebec, Ontario and British Columbia, an increase in the number of non-permanent residents accounted for part of the international migratory increases.

Quebec posted a gain of 7,051 non-permanent residents, a level never before seen for a first quarter In Ontario, the estimated 15,662 non-permanent residents level was the second highest level observed for a first quarter, after 1989 (+25,678).

Lastly, British Columbia posted a gain of 3,577 non-permanent residents, a level rarely reached in the past.

		Population growth for the first quarter			
	Population	2017		2018	
		number	rate (%)	number	rate (%)
Canada	37,067,011	85,808	0.23	103,157	0.28
Newfoundland and Labrador	525,983	-893	-0.17	-1,630	-0.31
Prince Edward Island	153,116	498	0.33	348	0.23
Nova Scotia	958,400	1,026	0.11	930	0.10
New Brunswick	761,214	-50	-0.01	470	0.06
Quebec	8,455,402	14,308	0.17	15,477	0.18
Ontario	14,374,084	39,508	0.28	55,334	0.39
Manitoba	1,348,809	4,077	0.31	1,816	0.13
Saskatchewan	1,171,240	3,207	0.28	1,488	0.13
Alberta	4,334,025	11,282	0.26	15,253	0.35
British Columbia	4,862,610	12,430	0.26	13,168	0.27
Yukon	38,936	64	0.17	111	0.29
Northwest Territories	44,736	132	0.30	139	0.31
Nunavut	38,456	219	0.58	253	0.66
Source: Statistics Canada, Demography Division.					
Nunavut	411	-298	113		
Source: Statistics Canada, Demography Division.					

What is a segregated fund?

Segregated funds, like mutual funds, are market-based investments. A large pool of money belonging to many people is invested in stocks, bonds or other securities with the goal of increasing the value of the entire pool. However, because segregated fund contracts are insurance contracts, they have special benefits that mutual funds do not.

- Segregated fund contracts guarantee 75% to 100% of your premiums (less withdrawals) when the contract matures, or on your death. Some segregated fund contracts also offer income guarantees.
- Money invested in segregated funds contracts may also be protected against seizure by creditors. This can be a big advantage for business owners and professionals wanting to protect against an unexpected lawsuit or bankruptcy. Consult your tax and legal advisors for details.
- Segregated fund contracts purchased with non-registered money let you name beneficiaries, so the death benefit bypasses your estate and goes directly to them. You can also control how they get the benefit: as a lump sum or in the form of a payout annuity.

GIC's

Just a reminder if you are looking for GIC,term deposit and saving account rates, we are agents for several financial institutions. We usually can find better rates than through the banks.

Insurance rates

Insurance experts say it's better to buy one traditional insurance policy than purchase a number of small policies for a variety of products.

For those of you who are looking for life insurance, that is available through our office, here are some recent quotes. Monthly premiums, non smoker, 10 year term. Rates effective July 11, 2018, subject to change.

All rates subject to change.

Male				Female		
Age	30	40	50	30	40	50
100K $	9.31	11.64	21.13	7.34	9.76	15.84
250K $	15.08	19.13	40.95	11.70	15.75	29.48

Office News

If you have any family or friends that would like a second opinion of their portfolio, or need advice or have questions on retirement planning, insurance products, or other financial products, please let us know as we would be happy to meet with them. We would like to thank all of our clients for helping to make our business a continued success.

July 2018, 100 Mile House

From left to right:

Support Services Assistant, Raven Nyman

Financial Advisor, Apryl Case

Office Administrator, Chrissy Mitchell

What Products Do We Offer?

Mutual Funds

Banking Products: GICs*, Savings Accounts, Mortgage Referrals

RRSPs, RRIFs, RESPs, LIFs, TFSAs

Non-Registered Investments

Guaranteed Income Products*

Segregated Funds *

Cancer Insurance *

Disability Insurance *

Term Life Insurance*

Universal Life Insurance *

Extended Health Plans *

Critical Illness Insurance *

Travel Insurance *

Investment Planning

Retirement & Estate Planning

Pension Plan Analysis

Referrals to Accounting, Mortgage and Legal Professionals

Mutual funds products are offered through Investia Financial Services Inc.

**Insurance products provided through multiple insurance carriers. Segregated funds products are offered through Investia Financial Services Inc. and/or multiple carriers. Guaranteed Investment Certificates (GICs) are offered through Investia Financial Services Inc. and/or multiple carriers.*

Time for a joke!

A couple in their nineties are both having problems remembering things. During a checkup, the doctor tells them that they're physically okay, but they might want to start writing things down to help them remember. Later that night, while watching TV, the old man gets up from his chair. 'Want anything while I'm in the kitchen?' he asks.
'Will you get me a bowl of ice cream?'
'Sure.'
'Don't you think you should write it down so you can remember it?' she asks.
'No, I can remember it.'
'Well, I'd like some strawberries on top, too. Maybe you should write it down, so's not to forget it?'
He says, 'I can remember that. You want a bowl of ice cream with strawberries.'
'I'd also like whipped cream. I'm certain you'll forget that, write it down?' she asks.
Irritated, he says, 'I don't need to write it down, I can remember it! Ice cream with strawberries and whipped cream - I got it, for goodness sake!'
Then he toddles into the kitchen. After about 20 minutes,
The old man returns from the kitchen and hands his wife a plate of bacon and eggs. She stares at the plate for a moment.
'Where's my toast ?'