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Michael Steffler, Partner

Welcome from the Partners

The new quarterly Newsletter

With the new partnership of Tim, Jean and myself now in full effect we felt this was the optimal time to create a regular communication piece to keep in touch with Rock Harbour clients. This newsletter will be provided each quarter to help summarize market actions, and keep you informed.

We will provide market commentary, in summary form, from some of our top fund managers across various organizations. We'll also update you on the various community endeavors and activities of the team at Rock Harbour from time to time. It's our hope that this commentary will give you a sense of what the current, medium, and long term projections are for your investment portfolio. As is always the case, we stress that the financial plan we are working with you to implement is more important than quarter to quarter results. We encourage you to reach out to us if you'd like a more detailed review or commentary on your own specific circumstances.

Partners (L to R) Tim Jones, Michael Steffler, Jean Deschenes

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Rock Harbour Team

Market Volatility

Updates year to date

Rising Interest Rates – Central banks in both Canada and the United States have acted even more aggressively in raising rates than previously expected. The US Fed increased rates 75 basis points this past month, previous expectations were for a 50 point hike. Interest rate increases are positive in the short term for GIC rates and Life insurance, we also feel despite a short term set back higher interest rates should be positive in the long term for conservative portfolios

Increasing Inflation -- May and June figures for inflation relative to the same period last year indicate over 7% inflation which has led to the above interest rate action to try to curb spending. There are some positive signs in key metrics in this area that some experts believe is signaling we are at the inflation peak.

Consumer Confidence – consumer confidence as a result of inflation primarily is at its lowest point since 2008. Low confidence can often indicate a recession on the horizon; however, many economic fundamentals remain strong, see next points…

Jobs – both the US and Canadian economies continue to add jobs, despite record low unemployment. Jobs figures on the decline often portend a recession, we are not yet seeing that.

Supply Chain – Despite geo-political issues in Ukraine, the wider global economy is improving supply chain issues as China loosens restrictions after their most recent Covid-19 surge. Supply chain improvements will hopefully ease the pressure on inflation.

Recession Risk – Most economists agree that the risk of recession in 2023 is quite high. It's imperative to remember that recessions are relatively short events and historically recovery has been swift. It's also important to note recessions often present opportunity for the long term.

Russia/Ukraine – though it's slipped from the headlines in recent weeks the conflict is still very much active and impacting the global economy. Supply of oil, as well as global sanctions are creating head winds that likely won't subside anytime soon.

Summer Global Investment Outlook

RBC Global Asset Management

Asset mix – shifting to neutral, meaning reduced equity exposure and buying bonds

US Dollar has benefited from risk aversion

Canada Has been best equity performer due to heavy weightings in resources and materials

Bond yields have surged, this has greatly alleviated valuation risk, we do not expect the type of fixed income sell off we've seen this year to continue

Downgrading GDP forecasts across North America and Globally as headwinds increase

Expensive technology stocks have been the worst performer on equity markets year to date