

# RAYMOND JAMES®

Happy July!

We made it this far and for 2020 that's a massive feat in itself! The markets have actually been behaving quite impressively so today's theme song is from one of my favourite bands,

U2: <https://youtu.be/TxcDTUMLQJI>

As we wrap our annual Canada Day party with family and few close friends (**neat fact from CNN: July 1 commemorates the joining of Canada's original three provinces (Nova Scotia, New Brunswick and the Canada province, which is now Ontario and Quebec) as one nation in 1867. The holiday was previously called Dominion Day, for the Dominion of Canada in the British empire**) and hopefully start the dog days of summer I sit down to write this knowing many of you feel these markets are making us "feel" much better, but also concerned that this does not feel right or real. Well folks, as Bono sings, "It's alright, it's alright, she moves in mysterious ways".

Last report I discussed what an event driven correction was and today I will try to,"talk about the things you can't explain".

A major misconception I think many investors don't follow, is that the market doesn't move in as much of a mysterious way as we all think, it just doesn't care one iota about yesterday! It is a forward forecasting mechanism. It trades daily on new data/news and prices that in every single session. There's no rear-view mirror. No reverse. No do-overs or mulligans. Generally, it's pricing in events six months from now what it sees is happening broadly and individually for economies and companies. That is why it seems to be moving in mysterious ways with all the bad news we are inundated with daily.

I think we are all wearing a bit thin on COVID-19 news so I will touch, but not dwell, on this as it is still extremely concerning to many of us (I've personally had pneumonia and do not want it coming near me!). This is partially why the markets seem to be looking past it:

1. It will come to an end:

<https://www.weforum.org/agenda/2020/05/coronavirus-pandemic-last-2-years/> .

2. There is a high probability of a successful vaccine sooner rather than later. Governments around the world are dumping billions into companies and research. This is the program in the U.S. Operation Warp Speed. Beam me up, Scotty:

<https://www.hhs.gov/about/news/2020/06/16/fact-sheet-explaining-operation-warp-speed.html>

3. Globally governments are signing deals like this one just this morning: <https://apple.news/AGHbIzjR0TWudFTFni5gWKA>

They either know something we don't or are recklessly tossing billions away. I chuckle writing that as I know what you're thinking, but I can't see Trump going into an election tossing billions to these companies without knowing some good news will come of it PRIOR to his November 4 re-election attempt. I'll save some of that for the next report.

4. As cases increase, death rates aren't following:

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<https://www.nytimes.com/2020/07/03/health/coronavirus-mortality-testing.html>

5. The average age of infected cases decreased by fifteen years in the U.S.:

[https://www.cnbc.com/2020/07/06/dr-anthony-fauci-says-the-average-age-of-us-coronavirus-patients-has-dropped-by-15-years-as-sun-belt-states-gets-hit.html?\\_source=iosappshare%7Ccom.apple.UIKit.activity.Message](https://www.cnbc.com/2020/07/06/dr-anthony-fauci-says-the-average-age-of-us-coronavirus-patients-has-dropped-by-15-years-as-sun-belt-states-gets-hit.html?_source=iosappshare%7Ccom.apple.UIKit.activity.Message)

To me, that is the most important item as mortality rates are much lower in that age group. This means life can get back to normal sooner as testing increases and we get closer to herd immunity. Remember the main reason for isolation was to not overwhelm the healthcare system? If the younger, healthier population is getting it then in theory less stress will be put in hospital care and the sooner we can get to the herd immunity stage.

Now that I've explained why the market continues to chug along without a massive correction with all the bad COVID-19 news, what else is going on? Is everything else alright, alright? Can the markets continue to, "lift my days and light up my nights"?

Don't fight the Fed. Never. Ever. If I positioned your portfolios more defensively over the last few months on concerns of another sell-off I would've used this song instead (just replace law with Fed):

<https://youtu.be/OgtQj8O92eI>

Thankfully I did not fight the Fed. We stayed invested and added higher quality names like Pembina, Aecon, Qualcomm.

The Fed has announced very decisively that they will do whatever it takes to support the need for liquidity and orderly markets. Ironically, they are able to buyback government bonds with yields much higher than present issues. This actually helps the debt servicing load meaningfully. To wit, if they are buying back a government issued bond that yields 3% and issuing one at today's measly 0.7% that means they can increase the debt by over four times without paying a penny more in forward interest! Folks, I'm not condoning debt here, just explaining it and the role the Fed is playing. The deficits being created globally this year are unheard of. We will need to address this sometime, but not at present.

Also, China announced this Monday it wants to stimulate its markets and shares rallied hard: <https://www.cnn.com/2020/07/06/investing/global-stocks/index.html>

Last, besides our own teams at Raymond James, Saut strategy always says it best, "Not bad for a holiday shortened week as the S&P 500 (SPX/3130.01) rose ~4% for the biggest weekly gain since June 5. The strong jobs report (created 4.8 million jobs and the unemployment rate fell to 11.1%). So much for the naysayers who told us we were going to lose 8 million jobs due to the virus! Still, the SPX has been locked in a trading range between 2965 and 3155 since June 11th. This has been fairly consistent with our "call" that the equity markets were going to be in for a rough patch, or a trading range, for a while. Eventually I think stocks resolve to the upside. I believe this fall will be the beginning of a HUGE move to the upside as the secular bull market enters a new stage". That is definitely going against the grain! We shall see, Jeff. She does move in mysterious ways.

Onto your portfolio and holdings. So far, I am extremely happy I didn't move more defensive as many did. We have been able to participate fully in this rally from the March 23 low by not fighting the Fed and not playing fear to "yesterday's" news.

Remember...The market is pricing in the future, not the past. Lately, we have had much success with Shopify and have been taking some profits to diversify into Brookfield Property Partners after earning a quick 15% on Teck.b prior to that. I also shifted away from underperforming Momo to recovery stock, Evri.

I've fielded many questions on air and cruise lines. As stated above, forward-looking I just can't see any single one of them earning money any time soon, and that's what the market cares about. This is why I bought Bpy.un and Evri. They should recover much quicker and thus the share prices should recover sooner also. Many companies have been set back two-three years with this virus and many others like Shopify have had a massive two-three year push forward in this short period of time. Where do you think airlines, cruise ships, and theatres fit? Ok , so no more chats on this for awhile then please:)

Last, please know my only challenge in PIMG is client contact. I am much busier following current positions, news, finding new opportunities, and in meetings for retirement/planning projections. I would love to talk to each of you monthly but cannot do so physically. That is why we moved to PIMG in the first place to scale the business so you get instant trades and not be on a call list paying commissions on each trade. We are always available to chat or by email. We cannot fix something we do not know is broken so please call or email me if you have a concern or something specific we can do for you. Amanda and Brenda are always smiling and eager to help. Depending on the markets, I'm usually really happy or hiding under the desk. Seriously though, please make an appointment to see me if the girls haven't called you to do so already. A good refresh of strategy and setting your personal goals has the possibility to change your life (or your families) immensely.

In the meantime, hope your July is alright, alright. Maybe, "take a walk with your sister the moon...Let her pale light in to fill up your room".

Call or email us if you need anything!

Cheers,

Steve

Enjoy your day!

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