

The Strategist

May 2018

A Quarterly Report for Friends, Clients and Associates of Chris Raper

10 Long Years to Nowhere



As we enter May 2018, Canada's resource-centric S&P TSX Composite Index (TSX) has pegged in with a pathetic ten-year compound annual growth rate (CAGR) of 1.2% - no, that is not a misprint. The news sounds dire...or is it?

History teaches us that flat-to-negative 10-year returns are most often followed by strong returns in the subsequent 10 years. In the TSX's case, 10-year returns of less than 1.5% CAGR (month end data) have happened 34 times since 1945. That's the bad news. The good news is that the sequential ten-year periods pegged in with average compound annual growth rates of 11.7%. The low-to-high range is 9.90% to 14.8%!

"Chris, how can you possibly be optimistic on Canada when we can't get our oil to tidewater, we are almost certainly going to feel the brunt of a tougher NAFTA agreement and tax rates, both federally and provincially, are going up?"

Fair question - here's our take.

The Kinder Morgan issue is the straw that will break the camel's back. Trudeau either calls in the army to enforce the federal decision, or Kinder Morgan throws in the towel. If it's the latter, oil producers will get on with moving even more oil down the Fraser River railway system (rather than the safer pipelines), crossing the U.S. border into Washington State and either refining it (so the Americans can sell it back to us) or exporting it via the Juan de Fuca Strait.

The result? Our American cousins get the high-paying jobs and the environmental risks go up, not down. That said, Kinder Morgan's pain will be CNR/CP's gain. Either way, the oil gets to the market.

Furthermore, oil demand is outstripping supply growth - meaning the days of available consumption are falling and prices are moving north. Canadian producers are catching a double "birdie" from the narrowing differential between the price of Western Canadian Select and West Texas Intermediate Crude. It peaked at ~\$35 CDN this year, whereas today we are at ~\$23 CDN.

Of course the energy industry is not Canada's only bread and butter. The materials sector is also a major driver. Our industrial metals (copper, aluminum, nickel, zinc) are fetching higher prices due to growing global demand and a supply side that has seen little to no investment in production for well over a decade.

Bottom line, we believe that higher commodity prices will trump (pun intended) the negative impacts of NAFTA and higher taxes. While not advocating a wholesale move back to Canada, we need to recognize that history often rhymes - headwinds eventually become tailwinds. Notwithstanding all our made in Canada challenges, we are seeing a shift in TSX's/commodities' favour. The next ten years are likely to be far kinder to Canadian investors than the last ten.

Father's Day Walk/Run

Are you looking for a way to tell the men in your life, "I love you, you're important to me" this Father's Day? If so, you'll be happy to learn that Raymond James Ltd. is once again teaming up with the Vancouver Island Prostate Centre for the annual Father's Day Walk/Run. It's a morning for dad - exercise in the great outdoors, fantastic food and a live rock and roll band for the after-party! All while raising awareness/funds for the fight against prostate cancer.

Over the years, this event has become a hallmark for our branch. Our colleagues on the Siluch-Hill Investment team are once again actively involved in the coordination and planning of Victoria's run. Portfolio Manager and prostate cancer survivor Paul Siluch and his administrator, Hailey, will be running the 10km while the rest of the team and their families volunteer on the sidelines.

How are we supporting the event this year? Chris and his wife, Arleen, have opted to participate as volunteers and if Natalie isn't up north spending time with her dad, she will surely be running the 10km for him. That said, our very own John Bataller has committed to run the 5km (his first organized run in over a decade) and we will be there to cheer him on.



Sunday June 17, 2018

How can you participate? If you'd like to run, you can register at www.thefathersdayrun.ca or donate by clicking on the following button.

REGISTER OR DONATE NOW

Update on the Team

Chris Raper & Associates kicked off 2018 with a bang on the credentials front. Amongst our client service team, Larissa is the newest member to become licensed as a Registered Representative, Natalie successfully completed the Canadian Securities Course, and John completed the Advanced Investment Strategies course last November and the Portfolio Management Techniques course in April. Go team!

We did do more than just hit the books, though. Allie and her husband Cody have finally took the leap and purchased a new home right in the heart of Sidney, BC. They are busy packing up their life as they eagerly anticipate the big move in late May...just in time for summer!

Speaking of summer, everyone on the team can't wait to get moving outdoors. Ryan, Erika, Larissa, and Natalie are pulling out their mitts and dusting off the cleats as they enter the 2018 Slo-pitch season, and a few of us have recently taken up running and cycling alongside veterans, Chris and Alex. Needless to say, the sun is shining and we are ready for a fun and active summer ahead.

On a final note, we are very excited to announce Erika's expected return from maternity leave this June. Time flies!



For more updates on the team and other exciting news, follow us on Twitter: [@ChrisRaperAssoc](https://twitter.com/ChrisRaperAssoc) or like us on Facebook: [Chris Raper & Associates](https://www.facebook.com/ChrisRaperAssociates)

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