

Chris & Ryan's Timely Market Dispatch: Behaviour Matters!

Today the Dow was down over 500 points from yesterday's close, intra-session, and managed a recovery of sorts, down 126 points by the close. It is currently off 6.1% from its all-time high of 26,828 set on October 3, 2018. In short, October is living up to its reputation as the month of down markets.

This week as you flip on the nightly news or read the press, the fear mongers and prophets of doom will do their best to scare you out of your sound investment strategies. Those that succumb will sell into the fear and by doing so will lose their opportunity to recover. They will tell themselves, "I will get back in when things settle down" and they won't. Then the market will rally and they won't buy then either because they will convince themselves that the big one is really coming. When that doesn't happen, and the positions they sold in a panic are up 10 or 20%, their thinking will be, "I can't buy now" and there they are - stuck. Frozen with fear and F.E.A.R. (false expectations appearing real) was what they succumbed to. How do I know that? Because I have seen this movie before...and it only ends well for those that don't leave the theatre.

This week we marked the 31st anniversary of Black Monday which occurred on October 19th, 1987. That's the day that the Dow Jones Industrial Average experienced its largest ever one day drop – it fell some 22.6%...in a single day! But who got hurt the most? Those that sold but couldn't force themselves to get back in. It took 15 months for the Dow to recover which seemed like eternity in the moment (interestingly, that is roughly the amount of time it took us to recover from the 2008 debacle) but 5 to 10 years from now, it will seem like a blip on the cardiogram.

"All the News That's Fit to Print"

The New York Times

NEW YORK, TUESDAY, OCTOBER 20, 1987

STOCKS PLUNGE 508 POINTS, A DROP OF 22.6%; 604 MILLION VOLUME NEARLY DOUBLES RECORD

A Huge Blow to the Five-Year Bull Market

The Dow Jones industrial average, which has been marching up since August 1982, began a dramatic fall last week that continued through yesterday when it closed at 1,739.74. (Shown: Weekly close of the Dow.)

1982 1983 1984 1985 1986 1987

2,500
2,000
1,500
1,000
500

10 A.M. 11 12 1 2 3 4 P.M.

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Source: Knight-Ridder Tradecaster

U.S. Ships Shell Iran Installation In Gulf Reprisal

Offshore Target Termed a Base for Gunboats

By STEVEN V. ROBERTS

WASHINGTON, Oct. 19 — United States naval forces struck back at Iran today for attacks on American-registered vessels and other Persian Gulf shipping by shelling two connected offshore platforms that American officials said were a base for Iranian gunboats.

A few hours later, a naval commando detachment boarded a third platform five miles away and destroyed radar and communications equipment, Pentagon officials said.

No American casualties were reported in the actions, which occurred 120 miles east of Bahrain at about 2 P.M. (7 A.M. Eastern daylight time).

A 20-Minute Warning

American officials said the attacking force took pains to avoid killing Iran...

Does 1987 Equal 1929?

By ERIC GELMAN

As stock prices soared this year, a chorus of pessimists warned that 1987 was looking more like 1929, when a stock market crash helped to usher in the Great Depression. Yesterday, after a plunge reminiscent of

WORLDWIDE IMPACT

Frenzied Trading Raises Fears of Recession — Tape 2 Hours Late

By LAWRENCE J. DE MARIA

Stock market prices plunged in a tumultuous wave of selling yesterday, giving Wall Street its worst day in history and raising fears of a recession. The Dow Jones industrial average, considered a benchmark of the market's health, plummeted a record 508 points, to 1,739.74. Based on preliminary calculations, that 22.6 percent decline was the worst since World War I and far greater than the 13.85 percent drop on Oct. 26, 1929, that along with the next day's 11.7 percent decline preceded the Great Depression.

Since hitting a record 3,723.42 on Aug. 25, the Dow has fallen almost 1,000 points, or 36 percent, putting the blue-chip indicator 157.0 points below the level at which it started the year. With Friday's plunge of 108.35 points, the Dow has fallen more than 25 percent in the last two sessions.

Please note that the prophets of doom may well be right in the short term – the market can go down further. Please recall that we have prepared for this. Our clients who require income have "safe" money set aside for times such as these. Such planning allows us to stay in the theatre.

If you need some further encouragement please consider the table below. It is the dividend paying stocks that we own within **The Dividend Value Discipline™** as at the close of business today. We draw your attention to three things:

1. The current yield column– which is calculated by dividing the current dividend by the stock price at today's close. In a nutshell, the rent cheque that a buyer would receive if he or she bought the stock at today's closing price.
2. 3-Year Dividend CAGR column – the average compound annual growth rate of the dividend (rent cheque) over the last 3 years.
3. Years to Double Rent Cheque** - the length of time we estimate it will take to double the current dividend (rent cheque) assuming that the rate of growth stays relatively constant.

By way of example, Starbucks yield is currently 2.44% and that dividend has grown by 28% per year over the last three years. Assuming that rate continues, it will take roughly 2.8 years to double the current \$1.44 and hopefully three years following we get another double. That would put us at \$5.76, or a yield on cost (today's price) of 9.8%. Would you be happy with that outcome? If it was only 7%, would you be happy?

How do we deal with markets in correction? By keeping our heads when everybody else is losing theirs. That is to say we will weather the current market downturn by staying rational while others are selling irrationally. Having been in the financial services business for over 35 years now I know that decisions made when emotions are high, seldom if ever turn out to be prudent.

For participants of **The Dividend Value Discipline™**, most accounts closed out today at -0.2% on a year to date basis, whereas the S&P TSX Composite is at -5.70% and the S&P 500 is at 2.51% (local currency terms)...and that is not what matters in our view. It is sustainable earnings/dividend (rent cheque) growth that ultimately drives stock prices and from that perspective, **The Dividend Value Discipline™** has never been in better shape.

Yours truly,

Chris Raper
Senior Vice-President | Senior Portfolio Manager

Ryan Cramp
Portfolio Manager

Chris Raper & Associates - the most proactive wealth advisory team on planet Earth!



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Rent Cheques That Grow

Company	Annual Rent Cheque	Yield	3-Year Dividend CAGR	Years to Double Rent Cheque**	Years of Consecutive Increases
1 TJX COMPANIES INC	\$1.56	1.46%	57.1%	1.5	21
2 A. O. SMITH CORP	\$0.88	1.94%	32.3%	2.5	12
3 CHARLES SCHWAB CORP	\$0.52	1.16%	29.4%	2.7	3
4 STARBUCKS CORP	\$1.44	2.44%	28.4%	2.8	7
5 SKYWORKS SOLUTIONS INC	\$1.52	1.80%	24.9%	3.1	3
6 LOWES COMPANIES INC	\$1.92	1.95%	23.5%	3.3	55
7 INTUIT INC	\$1.88	0.90%	21.4%	3.6	7
8 AMPHENOL CORP	\$0.92	1.11%	20.2%	3.8	6
9 CCL INDUSTRIES INC CL B	\$0.52	0.95%	20.1%	3.8	16
10 PROGRESSIVE CORP OH	\$1.13	1.61%	17.9%	4.2	1
11 NIKE INC	\$0.80	1.09%	17.0%	4.4	10
12 NORTHERN TRUST CORP	\$2.20	2.40%	15.2%	4.9	7
13 BANK OF THE OZARKS	\$0.84	3.32%	15.2%	4.9	8
14 EXPEDIA GROUP INC	\$1.28	1.10%	15.1%	4.9	6
15 US BANCORP NEW	\$1.48	2.87%	13.2%	5.6	7
16 CVS HEALTH CORP	\$2.00	2.75%	12.6%	5.8	0
17 MICROSOFT CORP	\$1.84	1.69%	12.6%	5.9	14
18 MARSH & MCLENNAN COS INC	\$1.66	2.07%	12.0%	6.1	8
19 ACCENTURE PLC (IRELAND)	\$2.92	1.84%	11.3%	6.5	8
20 DOLLARAMA INC	\$0.16	0.40%	11.1%	6.6	7
21 INTEL CORP	\$1.20	2.68%	10.1%	7.2	4
22 3M COMPANY	\$5.44	2.80%	9.9%	7.4	59
23 GILEAD SCIENCE INC	\$2.28	3.16%	9.8%	7.4	3
24 MANULIFE FINANCIAL CORP	\$0.88	4.18%	9.8%	7.4	4
25 SHERWIN WILLIAMS CO	\$3.44	0.85%	8.7%	8.3	39
26 AMERISOURCEBERGEN CORP	\$1.52	1.68%	7.9%	9.1	13
27 BANK OF NOVA SCOTIA (THE)	\$3.40	4.80%	7.7%	9.3	7
28 CONSTELLATION SOFTWARE INC***	\$5.24	0.59%	0.0%	n/a	0
29 PEYTO EXPLORATION & DEVELOPMENT CORP	\$0.72	6.18%	-18.3%	n/a	0
30 ARC RESOURCES LTD	\$0.60	4.67%	-20.6%	n/a	0
31 CAMECO CORPORATION	\$0.08	0.55%	-41.5%	n/a	0
Median		1.89%	12.91%	4.9	7.0

*Annualized. 0% if no dividend change in the last 12 months.

**Based on 3-year Dividend CAGR (Compound Annual Growth Rate) - as of October 23, 2018

***Constellation Software's dividend rate is in USD (\$1.00 per quarter), but the payments are made in CAD and therefore vary with currency fluctuations

Prepared by Chris Raper & Associates