

This Is 2020



Vaughn Warrington CFP®, FMA
Investment Advisor
Binvested - Aligned Capital Partners Inc.

Retirement Income Planning
Dividend Specialization
Investment Management



Barbara Walters, well SNL Alumni Cheri Oteri, had the opportunity to say Barbara's catch phrase: "This is 2020" prior to the ball drop out of 2019 and into 2020. So yes, this is 2020 and it is going to be an interesting one, and maybe even a bit boring!

2019 went out with many equity markets and even the bond market finishing strong. That's great for sure, however memories of this will fade as we move into the year that will be 2020. And yes, I feel this might even be a bit of a boring one. Well as much as one can be bored with the minute by minute relentless bombardment of information that is apparently designed to keep you informed. I do feel I am using the information moniker pretty loosely here. If you wish to make a resolution this year, I would suggest finding a way to turn some of it off.

As I get closer to finishing my 6th decade as a Canadian, I worry about her more than ever. These concerns are discussed below as I again find myself looking to the US for your investment exposure.

Now let's delve into boring 2020.

U.S.: Employment for key demographic surges to record high

Employment for age group 25-54



NBF Economics and Strategy (data via Refinitiv)

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Taking a Break

When equity markets move up beyond expectations, they often get a bit mired the next year. So even with the potential of 8% gains this year in the US (Vaughn's official guess!), most may just find that boring.

US Growth

The US continuation of growth this year will likely be shrugged off again as so many cannot remember the last recession, as the last decade did not have one. Employment south of the border had a strong December (ADP reported 220,000 in December) and a revised upward November. The average of 169,000/month of new jobs in 2019 finished ahead of my expectations. I do feel that 2020 should pass us by without the big "R" word making its impressions upon us. Kinda Boring.

What am I Worried About?

Our home country is not faring as well. So, I have some home bias concerns as our country continues to falter on so many metrics. 35,000 new jobs in December however -71,000 job loses in November (3 negative months in 2019) is extremely worrisome. Canada is now the recipient of the highest consumer debt load in the G7. We have officially become a nation that is hard to do business with. It takes 81 days to get the permits to build a new warehouse in the US. In Canada that number is 249 days, three times longer than in the US (According to the World Bank's "Ease of Doing Business" report). We have fallen further from 6th place in 2006 to 22nd in their overall ranking. They also reported:

- Canada ranks 100th in enforcing contracts to the US 17th
- Of the 34 member countries of the OECD (Organization of Economic Co-Operation and Development), we have the highest regulatory burden, and this is accompanied by the lowest investments in machinery, equipment and intellectual patent. I feel this combination is very worrisome for corporate and employment growth not keeping pace with the US.

Does it make sense that a pipeline blocked by Quebec was routed thru the US to get Alberta natural gas to a Nova Scotia LNG project? While in BC this past fall Jennifer and I wished to ship some wine back from a small winery we found in the Kelowna delta and were not allowed too. Inter-provincial trade barriers continue to impede business growth in Canada.

I will continue to show bias to US based investments and those companies that have a disproportion of their opportunities in the US and into other developed markets.

Dividends are growing

Of the 20 companies that make up this Core position of income and growth for investment consideration in your portfolio's, all but 1 increased their dividends in 2019. That company plus one other is off the list for 2020 and 2 new companies have been added for consideration. In fact, in 2019, 3 of the 20 companies raised their dividends twice.

Final thoughts

US job growth shall remain as my number one watch item to assist in determining if US economic growth is slowing. US housing is just starting to show signs of real growth along with Americans having a far lower debt load than Canadians. 2020 just might trudge along "boringly" right into the elections in November.

I will continue to watch closely and be assured I will be in touch.

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Vaughn Warrington, CFP[®], FMA

Investment Advisor - Binvested / Aligned Capital Partners Inc.
President – Binvested Management Inc.
1001 Champlain Avenue, Suite 300, Burlington, ON L7L 5Z4

email: warrington@alignedcp.com

Office: 905-309-9990

Fax: 289-770-0770