# Investment UPDATE

Winter 2023 edition

28263 (01/2023)

## Getting ready for 2023

As Canadians, we get our fair share of tough winters. We may not always like them, but we know that if we prepare, we can get through them. You need a warm winter coat, hat and gloves, for starters. If you have a driveway, you need a shovel or snowblower to dig out. If you drive, you need to clear off your car.

Like hard winters, tough markets come and go from time to time. Both the economy and markets struggled through much of 2022. As the new year begins, we are all watching inflation and interest rates to see what is next.

**How do you prepare for what may lie ahead? In this issue, we'll explore three things to keep in mind in 2023 and beyond.**

## There will always be reasons not to invest

Investors often recall major market events that give us reasons to not invest. However, most events only have a short-term impact on markets. Maintaining a long-term perspective can help you stay invested and benefit from long-term market gains.

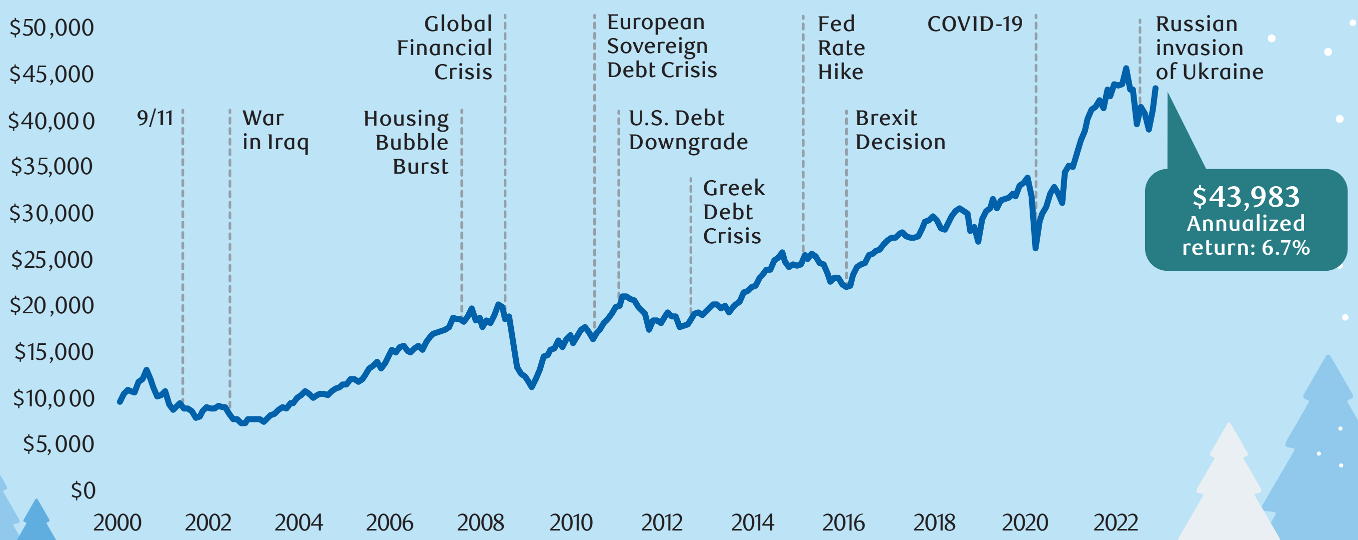



Chart illustrates the growth of $10,000 in the S&P/TSX Composite Index (total returns) from January 2000 to November 2022. An investment cannot be made directly in an index. Graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Source: RBC Global Asset Management (RBC GAM).

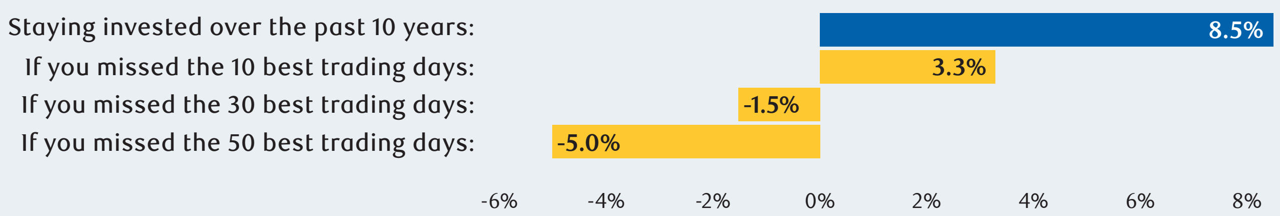
# Getting through the winter of 2023

We don't know what lies ahead this winter season. Likewise, no one can predict where the markets will move. But one thing we do know: making dramatic changes, like moving in and out of the markets, can have a negative impact on achieving your long-term investment goals. Here are three ways to stay on track as we enter the winter of 2023.

## 1 Keep calm and carry on. Markets typically tend to rise over time.

Renowned investor Warren Buffet once said, "I haven't the faintest idea as to whether stocks will be higher or lower a month, or a year, from now. What is likely however, is that the market will move higher, perhaps substantially so, well before either sentiment or the economy turns."

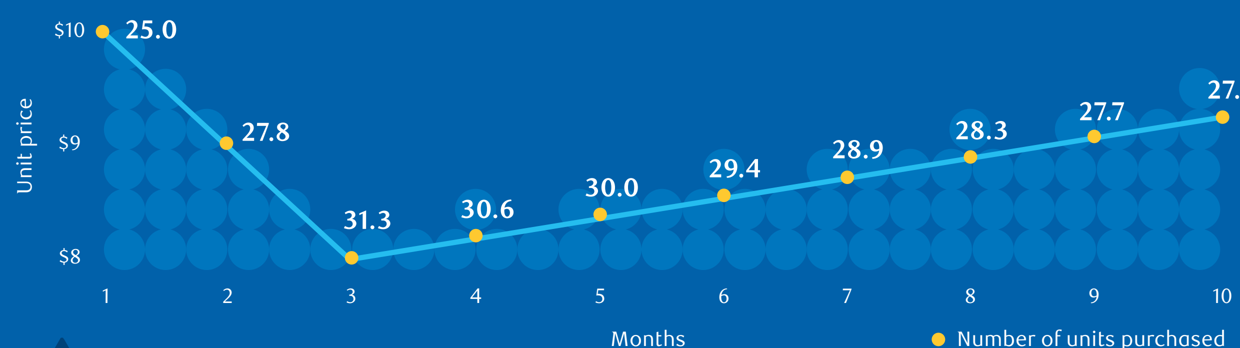
Staying invested means you're less likely to miss some of the best trading days, which could help improve your long-term returns.




Based on the annualized returns of the S&P/TSX Composite Index for 10 years, ending November 30, 2022. Source: Morningstar, RBC GAM.

## 2 Invest regularly. It may smooth out your investing results over time.

Investing a fixed amount on a regular basis can help keep your investment plan on track through various types of market conditions. Think of it as a way to power up your portfolio. When markets are low, you can buy more investment units. Those units could then position you to achieve higher growth as markets recover. In the chart below, you'll see how the number of units changes as you invest $250 over 10 months.




Source: RBC GAM. For illustrative purposes only.

## 3 Continue to access advice. Having an advisor can help.

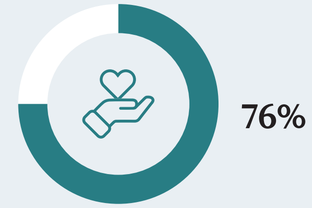
**An advisor can be one of the best tools in your toolkit. Why?**

- They can help you create a plan based on your unique goals and financial situation.
- When markets are choppy and the news headlines are bleak, an advisor can help you put things in perspective.
- If you need to adjust your plan, they can make recommendations that may help you make decisions.

Increase in savings the average Canadian household that worked with a financial advisor for 15 years or more saw – compared to a similar household without a financial advisor.[1]

Up to 131%

Percentage of investors using a financial advisor who report a positive sense of overall well-being.[2]




[1] Source: Claude Montmarquette & Alexandre Prud'homme, 2020. «More on the Value of Financial Advisors,» CIRANO Project Reports 2020rp-04, CIRANO.
[2] Source: BlackRock Global Investor Pulse, 2019.

## REMEMBER: Canadian winters come and go. So do volatile markets.

**A disciplined approach can help you reach your long-term investment goals. Talk to an RBC Advisor if you have any questions about your investment plan.**

## How can MyAdvisor® help?

- Explore and monitor your goals
- Meet with an advisor
- Sign documents electronically

Log-in to RBC Online Banking to get started, or ask your RBC Advisor for a demo.

## Key dates in 2023

**January 1, 2023**
2023 TFSA contribution limit of $6,500 applies

**March 1, 2023**
RRSP contribution deadline for the 2022 tax year

**May 1, 2023**
Filing deadline for your 2022 personal income taxes

# One-minute market update

## Economy

- Headwinds have intensified as a result of tighter monetary policy and reduced fiscal stimulus. We continue to look for a deceleration in growth in 2023, with economies likely slipping into recession in the developed world.
- We have below-consensus inflation forecasts for 2023, expecting inflation to continue softening as the four main drivers that pushed inflation to multi-decade highs reverse course.
- Economic indicators have shown more resilience in the past few months, suggesting that the probability and expected depth of recession might be lower than initially feared.
- We anticipate that global GDP will expand by 2.1% in 2023, which is less than a third of the figure in 2021, and about half the expected 2022 rate.

## Fixed income

- As investors warm to the idea that inflation may have peaked and that the pace of tightening is slowing, yields on 10-year government bonds have fallen 50 to 130 basis points from their September/October highs.
- This rally in bonds started from a point where technical indicators indicated that the bond market had been oversold, and our own valuation models suggested that yields had reached relatively appealing levels.
- Structural forces such as aging populations and an increased preference for saving versus spending should ultimately limit how high real interest rates can go.
- Over the near term, inflation will likely be the factor dominating the trajectory for bond yields.

## Equity markets

- Equity markets stabilized in the past quarter but, even with the recent bounce, are still sitting at significant losses since the start of the year.
- While valuation risk has diminished and return potential has increased, stock prices could fall in the event that we enter a recession and earnings decline.
- We think corporate profit estimates are vulnerable to further downside given that earnings are still above their long-term trend and companies are facing headwinds from rising costs and slowing economic activity.
- Stock gains could be limited in the near term absent evidence that the economy is headed for a soft landing.

**For more investment insights please visit: rbcgam.com/gio**

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