

Your weekly market update

[View this email in your browser](#)

Market Update

09 February 2018

This weeks market update continues on Joseph Schumpeter's concept of "creative destruction". Three types of disruption are under way: technological, political and economic/investment related events. Technological disruption begins with the knowledge that productivity growth in both developed and emerging economies has been receding for sometime now, in spite of technological change. Academics seem to agree that actual productivity growth may have been underestimated, but a downward trend nonetheless remains. Technological change is transforming the labour market and is already evident in wage and job trends. Oxford University estimates that about 50% of all jobs are being affected by automation. Then there is political disruption. Just think of the anti globalization trend and an increasingly polarized world order. History has often been marred by conflicts over the distribution of resources. The same could hold true in the future. Disruption is also visible in investments. In a world in full flux, traditional backward looking investment solutions like ETFs might become obsolete. For example, equities now spend an average of just 12 years in the S&P 500 Index In the early 1960s, it was 60 years!

Productivity growth will improve as pioneering companies put new technologies into broader use. Inflationary pressure remains limited, with little danger of deflation, especially as President Trump's administration continues to ramp up its Keynesian fiscal policy in the late stages of the growth cycle. Against this backdrop, central banks have every reason to take their feet off the gas. This change in course is likely to become increasingly apparent at the



Ahmet Jakupi Financial Solutions (AJFS) is a leading integrated solutions private wealth management firm.

We are Fiduciaries for our clients, serving their interests, building long-term trusting relationships and partnerships for over 20 years. As Fiduciaries we are completely focused on serving our client's interest and adding value to their lives

For more info

please visit our website

www.ahmetjakupi.com

or contact us at:

Tel: 1-519-570-4754

Fax: 1-519-954-4754

email: ahmet@ahmetjakupi.com

twitter: @jakupiahmet



Not a client, [SUBSCRIBE HERE](#) for a complimentary 30-day access to our news service

Federal Reserve and the European Central Bank, albeit probably agonizingly slowly in the ECB's case. Both geopolitical disruption and monetary disruption are likely to generate volatility in the capital markets, while government bonds continue to generate zero and, in some cases, even negative yields. So real returns can only be achieved by taking on measured risks.

A big part of what we are seeing unfold in equity markets was driven by passive money in ETF being driven by algorithms selling. This started with Janet Yellen signalling a market pull back by stating, "interest rates will increase at a faster rate than in the past." Ten year bond yield have risen to 4 year highs at above 2.8%. Ten year bond yields are tied directly to corporate lending rates. With higher borrowing cost for companies it means lower profit margins. It is important to note we are at the bottom of a 37 year interest rate cycle looking to go up. Rate rises do put the brakes on economic growth as North America and Europe are performing at all time highs. Even emerging economies are growing. For the first time since the great recession we are in synchronized global growth. Economic fundamentals are sound both in North America and key European economies. So why the pull back. President Trump's fiscal policies have pushed growth in the later stages of an economic cycle. Don't misunderstand equity markets have been looking for this type of economic stimulus since the great recession but are just getting stimulus now.

Economic conditions do not point to a recession but it does point to a market correction as equities evaluations got ahead on feel good news from corporate tax cuts, capital repatriation and proposed infrastructure spending.

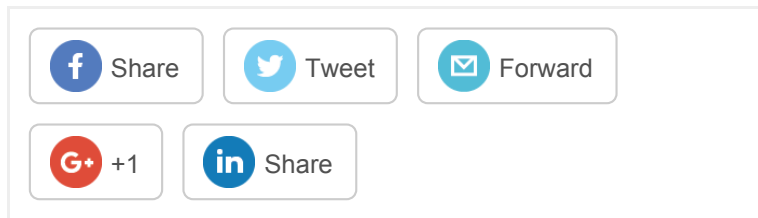
The volatility in the market has been at all time lows hovering at below 12 and dramatically switch around last week rising 106% to 50. Since the volatile index declined to hover at 30. No matter what President Trump and his administration tweeted or announced the marketwise not having any of it. Tuesday of next week will be President Trump's announcement around a multi trillion dollar spend over the next 10 years.

The current market volatility has swept around the globe leaving no economy untouched.

Visit [OUR BLOG](#) for more financial advice and tips!

Energy prices just tumbled with WTI oil falling 8% in a week. All expectations are that WTI will be heading back to the mid \$50 range. As OPEC shrunk brimming oil stock piles by partnering with Russia. American energy producers have been consistently gobbling up market share. For the first time last week, American energy producers exported oil to the United Arab Emirates. Market share has been growing steadily in India, China and across Asia much to the chagrin of the Russians, Iraqis, and Iranians. Ongoing production surges in WTI oil will keep prices from rising. American output in oil rose above 10 million barrels a day having surpassed Saudi production.

Our strategic client modelled portfolios are well positioned with our conservative yield mandate invested 43.56% in fixed income and 21.6% in cash. Our dividend mandate is focused on financial services at 42%, consumer goods, utilities and technology, and near equal weighting.



Copyright © 2018 AJFS, All rights reserved.

Our mailing address is:

69 Glasgow St.
Kitchener, ON
N2G 3G8

[unsubscribe from this list](#) [update subscription preferences](#)