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Credential[®]
Securities

The Cost of Capital Protection



What this chart shows

You may be tempted to eliminate market risk altogether and invest your money in guaranteed investment certificates. At least you'll earn a small amount of interest, and you won't lose money, right? There's another factor to consider: inflation. After subtracting inflation, which reduces the purchasing power of your money, the average "real" return on a 1-year GIC was negative for 15 of the last 25 years. That was due to exceptionally low interest rates following the 2008/09 financial crisis, a condition that persists to this day. If you factor in taxes, this picture becomes even more discouraging.

The bottom line

Investing in the stock market carries the risk of losing money. But *not* investing in the stock market carries its own risk – the risk of failing to meet your goals because your returns were too low.

NEI WEEKLY MARKET UPDATE

NEI

Market Update – June 22, 2020

This special webinar was hosted by NEI Investments and was the latest in their series of regular market updates. For our wealth management services, our credit union partners with Aviso Wealth. NEI Investments is a part of Aviso Wealth; and is Canada's leader in Responsible Investment funds and portfolios.

In these sessions, experts from NEI Investments provide context for the most recent market developments and share information regarding what to expect in the coming days and weeks.

You can [listen to the full recording here](#)

Key points from the webinar:

- The COVID-19 pandemic has taught us that markets are an “amazingly efficient discounting machine” in terms of how they can discount future events very quickly. The S&P 500 Index went from a record high on February 19 to bear market territory in just six days.
- While they are remarkably efficient, markets are not perfect, swinging from “exuberance” to “despair”. Sometimes “a little help” is needed from policy makers, evidenced by the U.S. Federal Reserve and other central banks stepping in to maintain market efficiency and access to capital.
- The recent rebound in oil prices to US\$40+/barrel demonstrates that the law of supply and demand “still works” as we enter the summer driving season.
- The NEI team does not believe a second wave of the pandemic will have as big of an effect on the economy as the first wave. There will be no need for another “full scale global economic shutdown” because healthcare systems are now better prepared.
- Virus-related news will play a smaller role as source of market volatility; the bigger impact is likely to be the U.S. election and the potential for a Democratic win.
- The NEI team believes we may be “at the early stages of the next economic cycle and the beginning of the next bull market”
- With regard to responsible investing, 2020 has really “set the agenda” for the coming decade.

If you have any questions, please feel free to contact me.

Sincerely,

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