



Stay safe and have a great summer!

Market Update

Although global capital markets experienced significant volatility in the first half of 2016, results for the end of the period showed improvement for most asset classes.

Markets were rattled in late June when the British electorate voted in favour of leaving the European Union (See “Brexit” on page 2). However, once the initial shock of the “leave” result had passed, global markets rebounded into the end of the quarter, with equities recouping most of their earlier losses.

Despite the anxiety about the future of Europe, U.S. stocks as measured by the Dow Jones Index finished the first half with a 2.9% gain in local currency terms, while the MSCI World Index was slightly negative at -0.6% in U.S. dollars. The significant rise of the Canadian dollar by 7.1% so far this year (at June 30/16) has pushed down the above index returns—Dow Jones (C\$) -3.9%, MSCI World (C\$) -7.1%.

The S&P/TSX Composite Index also experienced volatility through the period, but finished with a solid gain. The Canadian market added about 8.1% for the first half, making it one of the top-performing developed markets worldwide. The index’s materials and energy sectors have benefited from rising prices for oil and many other commodities in 2016. Gold-related companies got an additional boost as the metal’s price increased following the Brexit result.

Developed market bonds registered positive returns for the period, despite very low – and even negative – interest rates offered in some countries. Government bond yields in the U.S. and Canada neared record lows in response to the EU uncertainty, and prices for higher-quality corporate bonds also rose. The FTSE/TMX Canada Universe Bond Index, measuring the total returns of Canadian government and investment-grade bonds, returned 4.0% for the first half.

While markets appeared calmer a week after the British referendum, the vote has cast doubt on the future of the EU, and this uncertainty will likely spur more volatility in the weeks and months to come. Nevertheless, the global economy continues to exhibit slow growth, and business conditions in many parts of the world remain supportive. In fact, the Brexit result has increased the likelihood that global interest rates will remain low, encouraging busi-

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What does the UK leaving the EU mean for the future of Europe? Could it strengthen the ties of remaining members or does it the start of further weakening of the European Union. See “Brexit” article on pg 2.

Canada Child Benefit

Starting this month child benefits are changing. The new Canada Child Benefit (CCB) replaces the Canada Child Tax Benefit, National Child Benefit Supplement and Universal Child Care Benefit.

The CCB is a tax-free monthly payment for families with children under the age of 18. There are various factors impacting the payment amount but the main criteria are your family net income, the number of children and ages of children in your family. As family net income increases the benefit is reduced and can eventually reach zero with higher incomes. To calculate what you might receive there is an online calculator at <http://cra.gc.ca/benefits-calculator>. Be sure to have your 2015 tax return handy when using the calculator. A family with a net income of \$100,000 (add line 236 on each spouses’ tax return) and two children under age 6 could receive approximately \$525 monthly.

If you’re already receiving some child benefits with previous programs you do not need to apply for the CCB. You do however have to have filed your 2015 tax return. Canada Revenue Agency (CRA) will send you notice if you are to receive the benefit and the amount to expect. The first payment was issued on July 20, 2016.

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⊗ “Brexit”: UK votes to leave the EU

On Thursday June 23rd United Kingdom (UK) citizens voted 51.9% in favour of leaving the European Union (EU) with over 70% voter turnout. Scotland and Northern Ireland voted strongly in favour of remaining as part of the EU (62% and 55.8% respectively) however England and Wales voted to leave by a relatively narrow margin. While the poles prior to the referendum were projecting a close result, many still felt that the ‘remain’ side (status quo) would win in the end. So the result still managed to surprise many.

Some key “Brexit” points:

- The UK represents less than 3% of global GDP
- In terms of the U.S. and Canada, trade linkages with the UK are small (5% and 3%, respectively).
- There will be an initial two-year negotiation period to determine the terms of exiting.
- It will not be a clear break, and changes will be made over the course of the negotiations.
- The main change would be that European residents would no longer have the legal right to reside in the UK and new trade agreements will need to be negotiated.
- Post Brexit vote, we have seen volatility with the Pound, however in the past the UK markets have outperformed European markets when their currency is weak.

The financial market response has been within the realm of expectations. The speed with which markets turned

downward then recovered following the Brexit vote is a reminder of how sudden market sell-offs can reverse themselves fairly quickly, once the initial panic has passed. With active management and investment advice there are certainly investment opportunities to be captured as all of this plays out.

Sources: Fidelity Investments, RBC Global Asset Management

Cigarettes, Cigars, Marijuana and Life Insurance

As you may know, smokers of cigarettes face much higher insurance premiums than non-smokers (often double the cost). Over the last few years insurance companies have allowed those who have the occasional cigar (often up to 12 annually) to still qualify for non-smoker rates. And just in the last couple months a number of insurance companies are considering applicants who occasionally smoke marijuana to qualify for non-smoker rates. Many insurance companies are citing studies that the vast majority of adults who consume marijuana do so occasionally, often less than weekly. Use of tobacco with marijuana will generally lead to a smoker designation. Of course, with insurance underwriting, each case is evaluated in combination with other factors such as health and lifestyle.

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ness and diversified investment activity.

As always it is important to stay focused on your long term goals and objectives and to avoid getting distracted by the short term volatility and news headlines.

In closing, we would like to thank you for your business. If you have any questions about your investment portfolio, we are happy to help – please do not hesitate to call.

The information in this article is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, National Post, Bloomberg, The Guardian, and Trading Economics. Index information was provided by TD Wealth, TD Newcrest and PC Bond. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources; however, no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please contact us for individual financial advice based on your personal circumstances.

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