



KLT
WEALTH MANAGEMENT

RESP

SEPTEMBER 2024



Market Watch

Since the last market update, we have seen quite a lot of volatility across equity markets. Early in August, major US markets pulled back 6 – 8 percent off the July 31st numbers, and they were down 8 – 13% off all-time highs. This stemmed from US economic data, and the rising YEN in Japan. Japan has been at virtually zero interest rates for years, and they just hiked rates to 0.25%. This has put pressures on borrowers of the YEN, hurt exporters and companies with overseas earnings. There is a worry that this may accelerate further, especially if rates continue to rise.

Despite this sudden drop after the Canadian Civic Holiday, markets have slowly rebounded. Economic data released since, has inflation continuing to slow, paving the way for more interest rate cuts both here in Canada and the US. Markets have slowly been climbing back towards all-time highs. There are big interest rate meetings in September, and more than just the rate decision will be analyzed; sentiment will be very important.

Brad Wilson CIM®

Investing 101: Bonds

As a Financial Advisor, I'm asked a variety of financial questions. But one topic I never get asked about is bonds. The stereotypical middle child of investments – often overlooked – unless they start acting up. So, let's start talking about them: what they are, how they make or lose money and where they might fit into a portfolio?

What are Bonds?

Simply put, bonds are loans taken out by governments and corporations. Unlike you or I who can go to a bank, governments and corporations need vast sums for their projects. Banks don't want to take on the risk of a loan that size, at least not by themselves, which is where bonds come in.

Here's an example of how it works, a province needs millions to build a highway, so they create a bond. They secure it against property or equipment they own and set an interest rate (called a coupon) and a maturity date. The bond is then put on the bond market where it can be bought and sold until maturity.

How to Make or Lose Money in Bonds?

There are two ways to make money with a bond. One, you collect the coupon until it matures and then recoup the loan (or face value of your bond) when it matures – simple, straightforward.

Alternatively, bonds can be traded. After their initial release, bonds aren't traded at their face value rather their perceived value which can fluctuate on factors such as inflation, a borrower's credit rating and market sentiment. For example, buyers are willing to pay more than the face value for an older, 5% bond if new bonds are being created with 3% coupons. Inversely buyers will offer less than face value on the lower 3% coupons.

Therefore, selling higher than your purchase price makes money and inversely selling at a lower price loses money. It's worth noting that a profit or loss is not realized until a bond is sold – or matures.

Portfolios & Bonds

Stocks and bonds are usually seen as inverse investments since historically when one performs well, the other's performance is lagging. It's exceedingly rare for stocks and bonds to move together. Bonds are also seen as a lower-risk option than stocks. This doesn't mean bonds have no risk however, since they generate a steady income and are usually secured against real assets, they are deemed less risky. Therefore, the more bonds your portfolio holds, compared to stocks, the lower the risk rating.

Most investors hold bonds in their portfolio through mutual funds or ETFs over owning bonds directly. This is because investment institutions such as mutual fund companies have the resources and insight to trade enormous quantities of bonds - offering more flexibility and diversity.

Even if they're rarely discussed, bonds provide a variety of opportunities and strategies that can complement a portfolio. If you want to know more about bonds or bond strategies, contact us at KLT Wealth Management.

Courtney Beach, QAFP



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Are you Depositing? Are you Withdrawing?

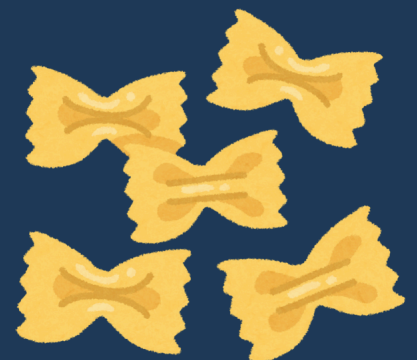
Either way, we can help!

**Is there a topic or question you want
mentioned in a future newsletter?
send us an email at
team@kltwealth.ca**



JOKE OF THE MONTH

**What is the dress code at a pasta
convention?**



Monthly Recipe

FRESH TOMATO SAUCE

If you are not a typical Italian that makes 10 bushels of homemade tomato sauce each year; but you want to make a fresh pot of tomato sauce now that they are in season. Here is an easy recipe for you to try.

Ingredients:

2 cups (3 litres) plum tomatoes (about 30 tomatoes), preferably San Marzano or Romanello

6 garlic cloves, peeled

1/4 cup (60 ml) olive oil

Chili flakes for heat (optional)

3-5 leaves Fresh Basil

Salt & Pepper



Directions:

Make a small crisscross incision at the base of the tomatoes. In a pot of boiling water, blanch the tomatoes for 30 seconds. Drain and cool in an ice bath. Peel and remove the seeds.

In food processor, purée the tomatoes with the garlic, then add the oil, pulsing so as to retain some texture.

In a pot, bring the tomato purée to a boil and simmer gently for 30 to 45 minutes or until the desired consistency. Add one tablespoon, at a time, of warm water if you prefer a thinner sauce.

Season with salt and pepper, chili flakes (optional), and fresh basil

Simmer gently for another 5 to 10 minutes.

Serve with your choice of cooked pasta.



ENJOY!



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Our mailing address is:
148 Peel Street Unit 1B, New Hamburg, ON N3A 1E3

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