Wealth Management
Dominion Securities

Wealth Management Review

www.rbcds.com | April 2024

Saving for a home just got easier: First Home Savings Account (FHSA)

You are eligible to open an FHSA if you are considered a first-time homebuyer. That means you or your spouse/common-law partner have not owned a home where you lived this year or at any time in the preceding four calendar years.

You also must be a Canadian resident over the age of majority, who will not be older than the age of 71 on Dec. 31 of the year the account is opened to open an FHSA.

You can contribute a maximum of $8,000 to your FHSA a year, up to a lifetime limit of $40,000. If you are not able to make contributions in a given year, you can carry forward any unused contribution room to the next year, up to a maximum of $8,000 for a total contribution of $16,000 for the year.

FHSA contributions are tax-deductible while qualifying withdrawals are non-taxable.

For more information about opening an FHSA, contact your advisor.

Are we there yet?

We have been waiting for the arrival of two things: the U.S. recession that reliable leading indicators have been saying is coming and new all-time highs for the major equity markets

By Jim Allworth

As conflicting as those two views may seem, since World War II, the S&P 500 and the TSX have typically posted new all-time highs up to a few months before the onset of recessions and occasionally past.

In our view, a recession remains a plausible outcome despite a widely held expectation that the U.S. GDP is headed for a "soft landing" – i.e., a slowdown but no recession. As for new equity market highs, our wait is mostly over: the S&P 500, the Dow Jones Industrial Average, and Japan's TOPIX have all reached new highs in style; Canadian, European and UK markets have done so in a much less dynamic fashion. We expect more to come.

Of course, corrections can arrive any time and usually do so unannounced. But it's worth remembering there is no valuation "line in the sand" that triggers one or makes a pullback inevitable.

Nor is there any reliable timing measure of "overdueness." Rather it's most often a case of buyers leaving the field, sellers moving into the majority, and market averages moving down for a while.

Often, the market reversal to down from up can be abrupt, perhaps triggered by a worrying development—or a policy shift. We have no idea when the next such retrenchment will arrive, but we think one surely will.

However, major tops, those turning points ushering in more prolonged, deeper market declines (bear markets), often present at least two precursors, neither of which are present today:

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1. Investor euphoria

The first is investor sentiment which typically goes through a stretch of weeks or months at very high levels of optimism before a bull market expires. Fear of missing out dominates investor attitudes in those final months. So far, while there are definitely more bulls than bears out there, the euphoria is missing.

2. Share price divergence

The second concerns market "breadth." Are most stocks moving directionally in sync with the market averages? The answer is "yes" for the important large-cap segment of the stock market. The so-called "advance-decline line" for the S&P 500 stocks moved to a new high in December followed by the index itself in January. The advance-decline line for Canada's TSX Composite has also recently reached new high ground and was recently joined by the index.

However, prior to the start of past bear markets a very different sequence of events emerges. The advance-decline line typically rolls over into a downtrend months before the market itself peaks. As yet, no such negative divergence is in evidence.

Over and above these internal market factors, it's the economy that determines where corporate earnings are headed. Share prices are pushed up and down in large part by changes in future earnings expectations. Recessions pressure near-term earnings estimates low enough to shake investors' confidence in long-term corporate earning power. That in turn can take a temporary heavy toll on share prices.

Changing opinions

So, is there a recession in the offing that investors should be wary of? Arguably the answer is yes for Europe, the UK, and Canada where GDP growth has been decidedly weaker than for the U.S. for several quarters running. However, historically it's been U.S. recessions that have hit major global equity markets the hardest. As to whether there is one on the way the majority opinion has swung back and forth repeatedly over the past 18 months.

RBC Global Asset Management Chief Economist Eric Lascelles recently raised his estimated probability the U.S. economy will experience a soft landing (i.e., no recession) to 60% from 40%, although he notes that both his prior projection and the new one aren't materially different than a coin flip. The door is still open to both outcomes.

Keeping a close watch

In our view that makes investor watchfulness all the more called for. One hurdle the soft landing thesis will need to get past is that there has never been such a benign outcome when Fed tightening has been accompanied by overt raising of lending standards by U.S. banks. In this instance the majority of U.S. banks have been doing just that for six consecutive quarters for almost every category of loan.

Many soft landing advocates have been saying for some time that this whole tightening process has gone on too long without a recession arriving, concluding as a result that one won't. However, looking at all the recessions that have played out from the early 1950s onwards, on average each began 25 months after the first Fed interest rate increase. In this case that would target April of this year, keeping in mind that in more than half the instances the wait time was longer than the average. It's premature to assert the timing window for a recession is closed.

There is also a widespread view that the good Q4 GDP report posted by the U.S. economy (+3.2%) and expectations for a somewhat slower but still positive 2% for Q1 make it unlikely a recession could start any time soon. But history doesn't support that notion. Again, looking back at past occurrences, the U.S. GDP growth rate delivered in the quarter immediately before each recession began averaged 2.4% but in fact was all over the map ranging between minus 2.7% and plus 9.3%. That very wide variation among data points suggests that one quarter's GDP growth by itself tells you very little if anything about the probability of a U.S. recession starting in the next quarter.

We remain committed to equities but are watchful. Equity markets are exhibiting sustained upward momentum that may deliver further new highs in the coming weeks and months. Corrections can't be ruled out, but some important precursors of bear markets are not yet in evidence.

We are keeping in mind that the probabilities of a recession arriving remain uncomfortably high and should be reflected in stock selection.

For a more detailed discussion of our outlook for financial markets, ask for a copy of our current issue of *Global Insight*.

Jim Allworth is co-chair of the RBC Global Portfolio Advisory Committee.

It's tax (scam) season: How to protect yourself

While the Government of Canada is actively on the lookout for scams and is using more technology to protect Canadians, it's important you remain aware and informed about tax scams that may try to trip you up this season.

Types of tax scams

Scams may involve a call, text, email or letter insisting you take immediate action to make a payment, receive a refund or verify personal information.

Here are examples of tax scams you may come across:

"Your tax refund is now available. Click here to receive your payment."

This scam encourages you to visit a fake CRA website where you are asked to verify your identity by entering personal information. They may ask you to provide your social insurance number, date of birth, or name.

"You owe money to the CRA. We will send your file to a collection agency. Contact us now."

In some cases, fraudsters will use coercive language to scare you into paying a false balance to the CRA. They may threaten you with arrest, jail time or a fine. Sometimes, they'll say that "the police are on the way" to scare victims into acting immediately.

"You have a refund of $500 waiting for you. Click here to fill in the online form and claim it."

With this scam, you will be encouraged to fill in your banking information and social insurance number in order to have the refund sent to you.

What you can expect from the CRA

Recognizing the prevalence of tax scams, the CRA makes it very clear how they communicate with Canadians.

Should you receive a communication that appears to be from the Canada Revenue Agency, note **the CRA will never do the following:**

- Send an email with a link asking you to provide personal or financial information
- Send you an email or a text with a link to your refund
- Threaten you with an arrest or tell you they are sending the police
- Demand you pay an outstanding balance by Interac e-Transfer, bitcoin, prepaid credit card or gift card
- Use texts or instant messages to start a conversation with you
- Ask for a fee to speak with an agent

The type of behaviour you *can* expect from the CRA may include:

- The CRA caller identifying themselves with their name, phone number and office location
- Asking you to verify your identity by requesting your personal information, such as full name, date of birth, address or social insurance number
- Asking you for details about your file in My Account or My Business Account
- Calling you to ask about taxes owing or to begin an audit process
- Calling you to offer free tax help

It's tax (scam) season: How to protect yourself ... Continued from page 3

As it is important to stay vigilant, if you're unsure about a phone call you receive from the CRA, call them at an official Canada Revenue Agency number to verify.

In the provinces:

Individuals: 1-800-959-8281
Businesses: 1-800-959-5525

In the territories:

Individuals: 1-866-426-1527
Businesses: 1-866-841-1876

How to protect yourself from tax scams

While tax scams are increasingly sophisticated, there are some simple things you can do to protect yourself, your identity and your money:

- Don't click on links sent via email or text or reply with any personal or financial information
- Never send money via Interac e-Transfer, bitcoin, prepaid credit card or gift card.
- Ask yourself a few key questions if something seems suspicious, such as:
  - Why is the caller pressuring me to act immediately?
  - Do I have a payment due soon?
  - Did I file my tax return on time?
  - Have I received a notice of assessment saying I owe tax?
  - Am I sure this is a CRA employee contacting me?
- Stay up to date with CRA scam alerts to help avoid scams that may target you.

What to do if you're a tax scam victim

If you suspect you have been targeted by a tax scam, or have been the victim of fraud, it's important to take action as a means of protecting yourself and other Canadians.

- If you suspect you may be the victim of a scam or fraud or have been tricked into giving personal or financial information, contact your local police service.
- To report a scam, call the Canadian Anti-Fraud Centre at: 1-888-495-8501
- For a lost or stolen social insurance number, call Service Canada at: 1-866-274-6627

Contact the CRA if any of the following occur:

- You think your CRA user ID or password has been compromised
- You find changes you did not request to your banking, address, business, or personal information
- You find a benefit application made for you without your knowledge
- You want to disable online access to your information in CRA sign-in services
- You want to enable online access to your information in CRA sign-in services after it has been disabled

In the provinces: 1-800-959-8281
In the territories: 1-866-426-1527

While the threat of tax scams is real, knowing fraudsters' common tactics can help you stay safe. Remember also to remain skeptical and take a few moments to ask yourself if a request seems reasonable. If it doesn't, delete the email or text or hang up the phone.

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