

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations.

We believe Knowledge Pays and we want our knowledge to help pay for you.

PROGRESSIVE CONSERVATIVES WIN ONTARIO ELECTION WHAT TO EXPECT

The Ontario PC party won a strong majority in the June 2018 Ontario election campaigning on tax cuts and lower cost energy and gas. As is often the case, the electorate voted with their wallets – for GDP rather than NDP. Those who watched Doug Ford’s victory speech saw a giddy premier-elect excited to proclaim, “Ontario is open for business”. While nothing is certain at this point, we will highlight some of the bigger/costlier platform pledges presented by the Ontario PCs.

Personal Taxes

- The PCs will scrap the Liberals’ planned minimum wage hike from \$14 to \$15. To offset this disappointment, the Ontario PCs vowed to introduce an income tax credit so that those making less than \$28,000 will pay no Ontario income tax.
- The PCs pledged to cut taxes for those making over \$43,000 in year three by cutting the marginal tax rate between ~\$43,000 and ~\$86,000 to 7.32% from 9.15%.
- The PCs presented a means-test childcare tax rebate of up to \$6,750 with lower income families receiving the bulk of the rebate.

Business/Corporate Taxes

- The PCs pledged to cut the corporate tax rate to 10.5% from 11.5% and the small business tax rate to 3.2% from 3.5% and end corporate welfare. Ending corporate welfare might be the best thing this province, and democracy, has seen in decades.

Excise and the Like Taxes

- The PCs pledged to cut gasoline taxes by 10 cents per litre, cut hydro rates by 12% and abolish the cap-and-trade program, benefitting individuals and businesses.

Housing

- The PCs are considering whether to eliminate the non-resident buyer tax on real estate and whether to open up part of the greenbelt to development – the former would boost housing demand while the latter would boost housing supply.
- Eliminating the non-resident buyer tax could create another rush to buy properties in the GTA and surrounding communities.

Who Pays For it All?

Assuming all or most of the above is implemented, where is the funding coming from? It is possible the Ontario PCs run a deficit but this is unlikely given the party’s modus operandi. After 15 years of the private sector subsidizing the public sector (per-capita government program spending up 80% since 2003), it is likely that the public sector will “subsidize” the private sector during the next four years. Most likely are small cuts to government spending across the board – wage and hiring freezes. Time will tell.

Current Rates & Data

Govt of Canada

90 day	1.25%
1 year	1.68%
2 year	1.90%
5 year	2.13%
10 year	2.29%
30 year	2.32%

U.S. Treasury

90 day	1.93%
1 year	2.31%
2 year	2.55%
5 year	2.81%
10 year	2.96%
30 year	3.09%

Canada Prime Rate

3.45%

U.S. Prime Rate

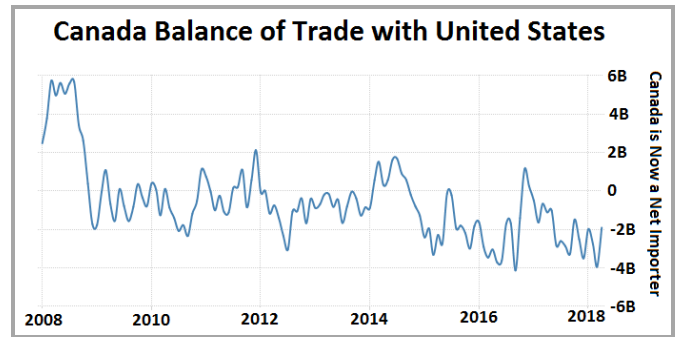
4.75%

Exchange Rates

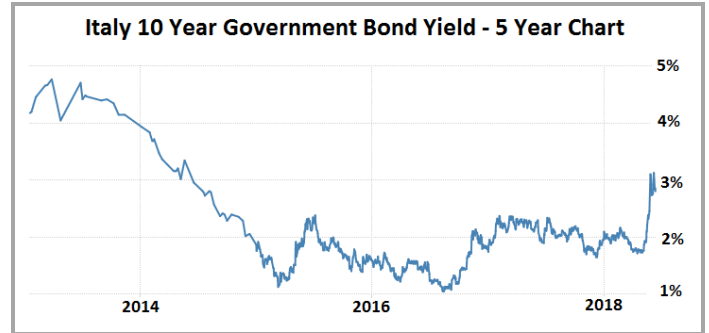
CAD/USD	0.771
USD/EUR	1.178
JPY/USD	110.4

ECONOMIC TIDBITS TRUMP TARGETS CANADA WITH TARIFFS & POPULISTS TAKE THE WHEEL IN ITALY

• On May 31, the US began to charge tariffs on all imported steel and aluminum, including imports from Canada and Mexico. Canada is the biggest supplier of steel and aluminum to the US. In retaliation, the Canadian government proposed tariffs on ~\$16.6 billion worth of US imports ranging from maple syrup to chocolate to personal care products to appliances, starting on Canada Day.



• On June 1, after three months of negotiation, a governing coalition has formed between Italian populist parties M5S and the League. The tradition of centre-right versus centre-left politics has ended in Italy in favour of populism versus establishment. Italian bond yields spiked after news of the coalition broke, as investors fear the coalition intends to exit the Eurozone or defy European Union fiscal rules.



LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

Options Are Limited for True Socially Responsible Investing but Growing/Improving Gradually

- The majority of socially responsible investment (SRI) funds/ETFs are anything but. Most SRI funds allow companies that score poorly on environmental factors to offset their environmental impacts with social spending and good governance. From our discussions, this is not what SRI investors want. Many SRI funds/ETFs hold a high percentage of oil and gas producers and mining companies that are some of the worst polluters in society. Two options that offer, in our opinion, true socially responsible exposure are **iShares MSCI Global Impact ETF (MPCT-US)** and **AGFiQ Enhanced Global ESG Factors ETF (QEF)**.
- **iShares MPCT** provides exposure to companies that help advance the United Nation’s Sustainable Development Goals and therefore excludes companies that create negative externalities in society. As a result, this fund tends to invest in companies that score highly on environmental and social factors.
- **AGF QEF** uses a multi-factor approach to building a portfolio incorporating a universe of stocks that rank high on environmental, social and corporate governance factors. This is unique among ESG funds as most ESG funds simply rank securities solely on ESG factors and disregard investment styles and traditional valuation metrics. Further, this ETF’s global reach results in an ESG portfolio that appears truly more responsible based on ESG factors as it does not include any major carbon producers or other blatantly controversial companies. QEF has a below average weighting to the energy and mining sectors.

JEANNINE’S TIP O’ THE MONTH RJL Presented the Royal Ontario Museum’s Distinguished Corporation Award

On May 9, Raymond James Ltd received the Royal Ontario Museum’s Distinguished Corporation Award. RJL was proud to be the sponsor of Ultimate Dinosaurs: Giant from Gondwana in 2013 and this year, the presenting sponsors of VIKINGS: The Exhibition.

“Part of our mission statement is to give back to the communities in which we live and work. It’s our commitment to putting others first – from our clients to our neighbors – that was established at our founding and is an integral part of our culture today. We believe that partnering with the ROM and other art and history organizations enriches the lives of everyone, it helps unlock the mysteries of our past and guides us into the future” says Paul Allison, Chairman & Chief Executive

This newsletter has been brought to you by Steele Wealth Management

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As the investment products listed in this newsletter may not be appropriate for everyone, a recommendation would only be made following a personal review of an individual's portfolio and risk tolerance.