

# Investment Insights

## Market Volatility Continues

As I write this, the TSX Composite Index has just closed at a new low for this year: 8537 points. That's 5389 points lower than where we began this year – or, a drop of almost 39% in only 10 months (27% since the beginning of October). Many people, the media included, are wondering, "Will we ever recover?". The volatility we are seeing is unnerving. Even the most patient investors, people who have been through this many times before, are likely starting to second-guess their holdings and strategies. No matter how conservatively invested, you cannot be fully insulated from the decline. We encourage our clients to be strong – hold on for better times. After all, they always come. Even now, "smart money" is moving into the market, not out. Recovery is a matter of when...not if. We are here to guide you through this and ensure you come out on top.

In keeping with this topic, we came across an article written by *Warren Buffett*. It's entitled "*Buy American. I Am.*" and was published in the New York Times on October 17<sup>th</sup>. If nothing else, this article provides a good history lesson on past market downturns, and further encouragement for investors. Following are some excerpts, which we think are the highlights from this article.

*Jolene*

### Buy American. I am.

*By Warren E. Buffett*

So...I've been buying American stocks. This is my personal account I'm talking about, in which I previously owned nothing but US government bonds. (This description leaves aside my Berkshire Hathaway holdings, which are all committed to philanthropy.) If prices keep looking attractive, my non-Berkshire net worth will soon be 100 percent in US equities.

Why?

A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful. And most certainly, fear is now widespread, gripping even seasoned investors. To be sure, investors are right to be wary of highly leveraged entities or businesses in weak competitive positions. But fears regarding the long-term prosperity of the nation's many sound companies make no sense.

Let me be clear on one point: I can't predict the short-term movements of the stock market. I haven't the faintest idea as to whether stocks will be higher or lower in a month – or a year – from now. What is likely, however, is that the market will move higher, perhaps substantially so, well before either sentiment, or the economy, turns up. So if you wait for the robins, spring will be over.

*continued in text-box behind...*



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## The Last Word

Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it.

- **Warren E. Buffett**

## Danielle's Administrative Solutions

### Tax-Free Savings Accounts – How and why?

As I'm sure most of you have heard, the Federal government has introduced a new tax-sheltered savings vehicle for Canadian residents called the **Tax-Free Savings Account (TFSA)**. This account provides another opportunity to shelter savings from taxes, with annual deposits of up to \$5,000 per client.

ScotiaMcLeod is the first of the major investment dealer competitors to be able to create accounts for clients. We encourage you to have your accounts opened before **November 25<sup>th</sup>** in order to be able to take advantage of this new tax savings as soon as possible in January.

More detailed information regarding the TFSA is included with this mailing. Please call me with any questions, or to request an account opening.

### What's new?

We are happy to welcome our new Assistant, **Danielle Hall**, to The Butler / Laing Group. Danielle comes to us from within the branch, and has several years of experience under her belt.

Danielle is able to help you with:

- Online Account Requests and Help
- Cheques and electronic fund transfers
- Meeting bookings
- General Account Information

Danielle will be on vacation for much of November, but we encourage you to call and introduce yourself in the meantime. She can be reached at 604-535-4749, or by email at [danielle\\_hall@scotiacapital.com](mailto:danielle_hall@scotiacapital.com).

*...continued from front Warren Buffett: Buy American. I am.*

A little history here: During the Depression, the Dow hit its low, 41 points, on July 8, 1932. Economic conditions, though, kept deteriorating until Franklin D. Roosevelt took office in March 1933. By that time, the market had already advanced by **30 percent**. Or think back to the early days of World War II, when things were going badly for the US in Europe and the Pacific. The market hit bottom in April 1942, well before Allied fortunes turned. Again, in the early 1980s, the time to buy stocks was when inflation raged and the economy was in the tank. In short, bad news is an investor's best friend. It lets you buy a slice of America's future at a marked-down price.

Over the long term, the stock market news will be good. In the 20<sup>th</sup> century, the US endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. **Yet the Dow rose from 66 to 11,497.**

Today people who hold cash equivalents feel comfortable. They shouldn't. They have opted for a terrible long-term asset, one that pays virtually nothing and is certain to depreciate in value. Indeed, the policies that government will follow in its efforts to alleviate the current crisis will probably prove inflationary, and therefore accelerate declines in the "real value" of cash accounts.

I don't like to opine on the stock market, and again I emphasize that I have no idea what the market will do in the short term. Nevertheless, I'll follow the lead of a restaurant that opened in an empty bank building and then advertised: "Put your mouth where your money was." Today my money and my mouth both say equities.

*Warren E. Buffett is the chief executive of Berkshire Hathaway, a diversified holding company. He is, arguably, the most successful independent investor of all time.*

### Important Upcoming Dates

#### November 2008

4 – US Election Day  
11 – Remembrance Day – Office Closed

#### December 2008

9 – Bank of Canada Interest Rate Announcement  
11 – ScotiaMcLeod White Rock Holiday Open House  
16 – US Fed Scheduled Meeting  
**24 – LAST DAY FOR 2008 TAX LOSS SELLING**  
25 – Christmas Day – Office Closed  
26 – Boxing Day – Office Closed

#### January 2009

1 – New Year's Day – Office Closed  
20 – Bank of Canada Interest Rate Announcement  
27-28 – US Fed Scheduled Meeting

**The Butler / Laing Group**  
is looking for more clients like you!

Drawing on experts across the Scotiabank Group, we specialize in providing experienced investment advice, portfolio strategies and financial solutions.

*If you know anyone who can benefit from our services, please let us know! We welcome the opportunity to assist them in reaching their financial goals.*

