



## My View

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### *So what's happening?*

I often say that each of us has had to work very hard in order to get to where we are. When it comes to real estate, a long term view should typically be the norm. Opportunities currently abound in Phoenix, Las Vegas and Florida to pick up nice homes and condos for half of what they were selling for two years ago. With our strong Canadian dollar, what a great time to buy into a market that had become way overextended. Do I disagree in principle? No . . . but what amazes me is that people are willing to throw many hundreds of thousands of dollars, or borrow that much, to buy into a foreign country, with different tax laws, whose currency is usually higher than ours, and pay the future maintenance costs in US dollars. All into an asset class that is not very liquid and has no guaranteed secondary market (just ask those who are trying to sell or have lost their homes). ***The theory is correct however. Do the due diligence, then buy quality, hold it for the long-term, ride the rough waters and at the end you will emerge victorious. Sounds like any other investment!***

We'll come back to that in a moment, but now an update on the market . . .

Our Canadian dollar is overstretched; it is trading at above fair market value and is stifling our manufacturers and exporters. At some point in the near future it will return to its fair value; of being between 90-95 cents, and as I am writing this article that is what is happening. If you observe the mid term trading trend line, it goes up when oil goes up, and down when oil drops, that is why it is effectively called the "Petro Currency". More than half the world's biggest stock indexes have fallen into "bear territory". A bear market is defined as a drop of more than 20% in a twelve month period. The more important question is whether there is a concern of a deep global bear market. Typical factors for a deep bear market would be: negative GDP growth, high unemployment, double-digit inflation, high interest rates and deterioration in corporate profits. These factors do not exist, even in the US where GDP growth over the last few periods has been around 2% and where the feds have already lowered interest rates by 1.25% in the last few months and have the room to lower them up to an additional 1.5% if need be. There is much hype and angst about the sub-prime mortgage write-downs. The fact is that most asset write-downs have no cash impact on the banks. Over time, they may actually result in profits. Retail banking is still very robust and profitable, especially in Europe and Asia.

One of the biggest challenges for our American neighbours will be in having their ego adjusted. Over the last three years, 85% of the global growth has not been because of them. So would a

slow down in the American economy have a global impact? The answer is yes, but not as much as in previous downturns.

Back to real estate . . . location, location and location are key for long term appreciation, while cash flow is king for sustainability. In all cases, you need to weigh the risks in relation to the potential returns and then take a long term approach. These same principles apply to your investment or retirement portfolios. However, because they are much more liquid than real estate, some investors act with emotion and become their own worst enemy. That is why I am proud to be the steward of your financial dreams and to provide you with the voice of unbiased logic and reason.

Enjoy the rest of the summer!

Cheers,

Victor

