



Smart investing over the holidays

The holidays are coming and can bring with them a frenzy of activity and excitement. While your attention is focused on spending time with friends and family, the stock markets may also experience interesting seasonal effects. Here are some things to keep in mind this holiday season.

1) The January Effect

The January Effect is a phenomenon in investing¹—it's a pattern in which stocks tend to rise during the first week of January.

It's not certain why this happens. One theory is that investors start worrying about taxes at the end of the year, so they sell some of their losing stocks to offset capital gains realized elsewhere. Once the new year begins, the proceeds from those sales are often redeployed back into the market, sending stock prices higher.²

If you're considering selling stocks, be sure to consult with an advisor to determine the right course of action for your situation.

2) Tax-loss selling

The year-end stock selloff may be related to tax-loss selling. This is a strategy that can help minimize capital gains from other sources, such as mutual funds, stocks and property other than your personal residence.

Tax-loss selling happens when investors deliberately sell a security at a loss in order to offset taxable capital gains that may have been realized elsewhere.

If you're considering implementing tax-loss selling, be sure to carefully analyze and evaluate all of your options, as there are factors to consider. For example, do you really want to let go of that particular investment? The "superficial loss rule" states that if you buy back a stock or mutual fund within 30 days of selling it, the loss will be added to the adjusted cost base; consequently, you can only claim the capital loss for tax purposes when you ultimately sell the security in the future. Also consider if the investment will do well in the future. If so, think carefully before selling as the potential upside may outweigh the tax-loss benefits.³

As you can see, tax-loss selling is a sophisticated strategy. Be sure to seek advice from your tax advisor. If you're looking for other tax planning strategies, read the [2016 Year-End Tax Tips](#) report prepared by Jamie Golombek, Managing Director, Tax & Estate Planning, CIBC Wealth Strategies Group.

3) World events

With the planning and excitement of the holidays, current events may not be top of mind. When it comes to investing, it's important to understand that your portfolio is globally integrated. That means that the overall performance of your portfolio could be influenced by global events.

When anything happens on the international stage, it can affect markets here at home. Things like changes in leadership, exchange rates, trade agreements and international relations can impact our stock markets.⁴

With investments so globally interconnected, smart investors will likely spend some time over the holidays reading the newspapers and watching the news. It's a good idea to stay in touch with what's going on in the world and connect with your advisor if you have questions.



4) Planning ahead

Are you taking some time off during the holidays? As vacations abound and stock exchanges move to holiday hours, investors trying to make last-minute decisions could face obstacles.

Be prepared for the market's "holiday hours" by planning ahead with your advisor.

Looking forward

We encourage you to get in touch with us. Let's discuss what you should consider over the holidays and how those factors can impact your portfolio in the future.

As 2016 comes to a close, we'd like to wish you a joyous holiday season and a new year filled with health, cheer and spectacular success.

Happy holidays!

1 <https://www.gobankingrates.com/investing/10-rules-smart-investors-follow-during-holiday-season/>

2 <http://www.investinganswers.com/financial-dictionary/stock-market/january-effect-967>

3 <http://www.theglobeandmail.com/globe-investor/investor-education/tax-loss-selling-if-youre-dumping-your-dogs-read-this-first/article21834856/>

4 <http://www.toptenreviews.com/money/articles/top-10-factors-affecting-the-stock-market/>

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