Cohen Johnstone Wealth Management Market Commentary
December 31, 2021

2021 was a fascinating time for the global economy. The pandemic while still overshadowing us, entered a different stage. Close to eight billion vaccine doses were administered worldwide and the world was broadly reopening with cases still surging in some spots, and consumption of goods was back in full force. The global supply chain, being as tightly knit as it's ever been, was under a lot of stress and the hottest data point was the number of ships waiting at anchor in global ports. And then there was inflation – the logical consequence of the sequence of events over the last two years – which was sitting at a 30-year high despite ample slack in the labour market. Despite the ongoing challenges posed by Covid-19 and the emergence of a new variant, global equity markets closed near their historic peaks.

Reflecting the genuine economic boom that occurred in 2021, Year 2 of the global pandemic produced significant divergence across and within major asset classes.

Within equities, more cyclical sectors such as energy, real estate, and financials were among the top performers – an outcome that benefitted Canadian stocks which posted their best annual total return since 2009. Even so, U.S. equities managed to grab first place, supported by the spectacular resilience of its leading technology stocks, among other things. Meanwhile, conditions proved more difficult for emerging markets, which, after delivering the best performance of the major regions 2020, ended 2021 in negative territory dampened by heightened regulatory and economic uncertainty in China.

Bond markets notched decent gains in the fourth quarter, but still finished the year in the red. Interest rates increased for government bonds with less than 7-year maturities while they declined for longer bonds. Bond markets also had to contend with the central banks' transition to a less friendly policy stance. The differential between provincial and corporate bonds slightly increased relative to their federal government equivalents after ending the previous quarter near record valuations to government bonds. The Bank of Canada ended its incremental bond purchase program while the US Federal Reserve started reducing the size of its bond purchase program. These actions clear the way for future increases in short-term interest rates.

As we head into a new year, markets remain focused on two factors. The rising geopolitical tensions, particularly among NATO allies and Russia regarding Ukraine and its territorial sovereignty, and Central Bank efforts to normalize interest rates and inflation.

Outcomes are of course unpredictable. Therefore, we focus on the variables that we can control, such as risk management, active management and asset allocation. Our outlook for financial markets is more modest this coming year, given the expectation that economic growth will naturally decline from the strong level of 2021. We continue to anticipate on-going economic growth and a continuing secular bull market.

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

CJWM
COHEN JOHNSTONE WEALTH MANAGEMENT

Cohen Johnstone Wealth Management Market Commentary
December 31, 2021

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

CJWM
Cohen Johnstone Wealth Management