Cohen Johnstone Wealth Management Market Commentary
June 30, 2021

The global economy continues to recover from the pandemic-induced shutdown. All signs point to a global recovery, although it will not be synchronized as re-openings remain highly contingent on each country's ability to reach immunity against COVID-19 and its variants and neutralize the pandemic's negative impact on economic growth. As we near the end of the first phase of the recovery in most developed economies, shortages in the consumer goods sector are beginning to subside. Meanwhile, activity in the service industry is gradually picking up as reopening plans for restaurants and entertainment venues are being implemented.

The tone in equity markets remained positive in Q2, despite mixed progress around containment of the COVID-19 pandemic. Sentiment improved as vaccination progress reduced COVID-19 restrictions and led to the gradual re-opening of many developed economies. The Canadian market remained amongst the top performers globally (+17.2%) as the Canadian dollar advanced along with the strength in the Technology and Energy sectors. U.S. markets (+12%) remained firm as economic growth accelerated and technology shares advanced. Many European markets also progressed steadily amid accelerating vaccination progress. Asian markets were mixed, while India formed a notable recovery from one of the more severe global outbreaks since the onset of the pandemic, as did Brazil.

Bond markets were considerably calmer over the second quarter when compared to the previous quarter's unusually high volatility. Longer-term bond yields declined slightly while yields on short maturities rose in response to central banks discussing the possibility of a policy turn to initiate the next phase for global recovery. Corporate bond yields were stable relative to government yields, providing the extra yield without any additional gains.

Looking ahead, investors' concerns mainly revolve around rising inflation prospects, which could lead to central banks scaling back stimulus programs or at the very least, contribute to increased macro-economic uncertainty. Once the global economy returns to a state of normalcy, we expect inflation to stabilize around its historical level of 2%.

As the driver of the economic recovery transitions away from policy responses to COVID-19 and becomes more self-sustaining, financial markets will most likely experience increased volatility. Naturally, there are concerns that the recovery will lose momentum without supportive monetary and fiscal policies in place. However, considering that inventories need to be rebuilt, excess savings of almost $2 trillion in the U.S. alone and prevalence of favourable financial conditions, we expect investors to be positively surprised with a strong economic rebound.

While the future as always has uncertainty, we continue to focus on our longer term approach with risk management at the forefront. This should continue to ensure that assets grow and financial goals are met.

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