Holyk Doran Wealth Management Group

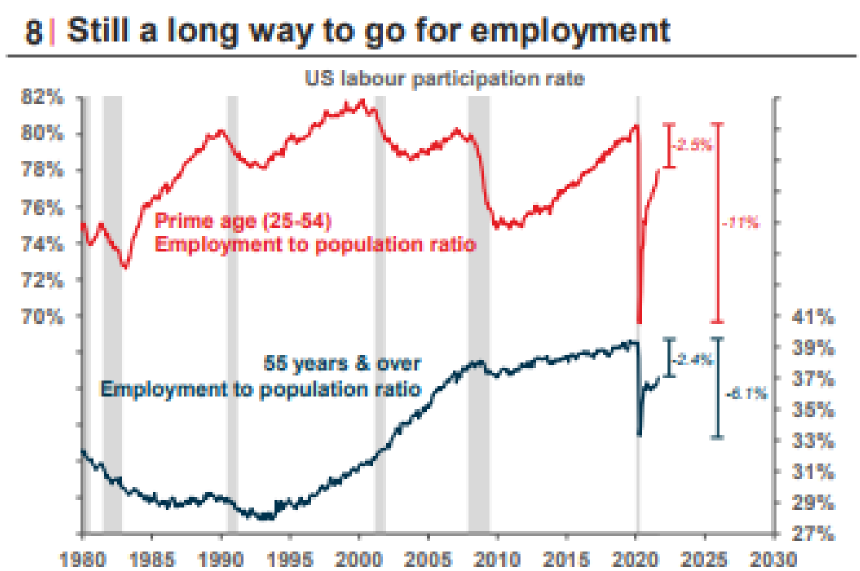
Market Update – October 7, 2021

Volatility has been rearing its head in the past month or so with headlines and speculation abound. Concerns about inflation, supply chain disruptions and continued pandemic impacts on economic growth dominated the headlines as the rapid recovery has not been so rapid. We are very optimistic about the growth prospects for 2022 but remain cautious to risks to the global recovery.

CORONA CONTINUATION

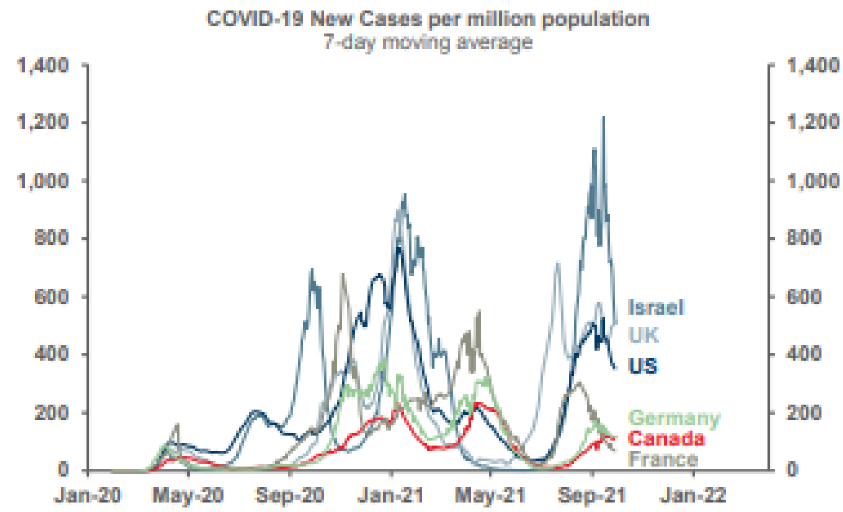
A return to “normal” has taken all forms but the level of employment, GDP and economic expansion has been slower than expected. Multiple variants to the virus have kept employees remote and the stimulus from governments have kept some out of the workforce entirely. At last tally, Canadian restaurants were operating at roughly 60% capacity in both employment and in customer density allowing most to stay afloat when combined with government stimulus.

We see this as a continued opportunity as workforces get back to 100% employment and revenues increase. There is ample room for growth going into 2022 as sector rotation out of the high flying technology stocks into more defensive names continues. We remain confident in our security selection process and allocating capital in diverse asset classes.



CIO Office (data via Refinitiv).

18 | The health situation is stabilizing…



CIO Office (data via Johns Hopkins University).

EVERGRANDE

The property developer's debt crisis is a the most recent major test for Beijing. Evergrande's debts ballooned as it borrowed to finance its various pursuits. They have become China's most indebted developer with more that $300 billion in liabilities. Last year, several Chinese state-owned companies defaulted on their loans raising fears about China's reliance on debt-fueled investments to support growth. This is nothing new.

At this time, we do not see this as an overwhelming risk to our portfolios. We do not buy Chinese domiciled companies for this exact reason. They are too hard to accurately value as many of their audits have time and time again been proven to be misleading. We will watch this story closely but we are very comfortable with where our portfolios are positioned.

16| Downward pressure mounts for Chinese growth

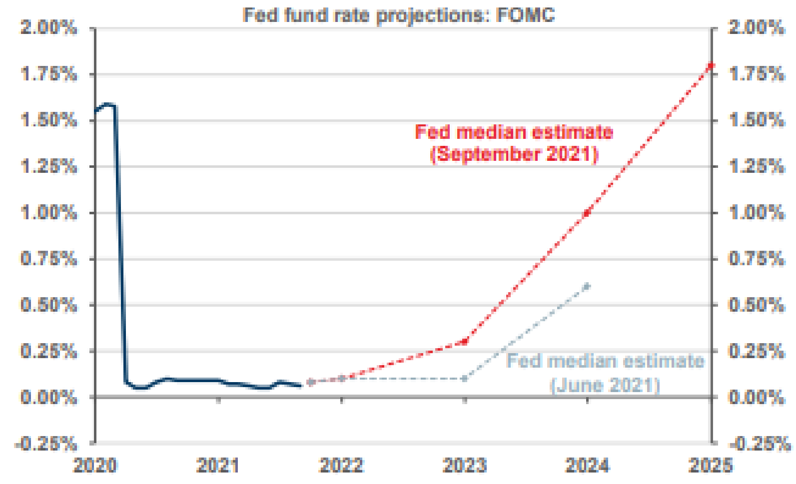
CIO Office (data via Refinitiv). *YoY change in China total social financing in % of GDP.

INFLATION & INTEREST RATES

The Federal Reserve's Federal Open Market Committee indicated last week that it may begin reducing bond buying as soon as November and could start raising rates next year. The Fed considerably raised its expectations for inflation for 2021 and brought forward the time frame on when it will potentially raise rates. Speaking at the conclusion of the September 22nd FOMC meeting, Jerome Powell stated that "so long as the recovery remains on track, a gradual tapering process that concluded around the middle of next year is likely to be appropriate". One rate hike in 2022 is projected assuming the base case holds.

We do not view this as aggressive or uncalled for. We are overdue for an increase in interest rates as they have been historically low for the past year and a half. The projection to get back to pre-covid levels is not for another two years at minimum. There will undoubtedly be volatility surrounding the Fed discussions and eventual hike but at this time, not a cause for concern.

11 | ... while rate hikes projections are moving up



CIO Office (data via Refinitiv, Bloomberg).

As Portfolio Managers, our biggest test comes when sentiment shifts to negative, and volatility increases. Last year proved that. However, in those times of fear and uncertainty, valuations become more attractive and better buying opportunities present themselves. We view this next quarter and year ahead as exactly that. If you are sitting on cash or have an underperforming portfolio elsewhere, we would love the opportunity to earn more of your business.

Please let us know if you would like to review anything mentioned above or your current portfolio returns.

Sincerely,

The Holyk Doran Wealth Management Group

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

HOLYK DORAN | WEALTH MANAGEMENT GROUP

National Bank Financial – Wealth Management
475, Howe Street, Suite 3000, Vancouver (BC) V6C2B3
604-623-2844 | holykdorangroup@nbc.ca