

January 2022 Market Update

We thankfully say good-bye to 2021 and hold high hopes and strong expectations for 2022. We all held hope that 2021 would have seen the pandemic in our rear-view mirror and the endemic health stage to have begun. We, however, begin 2022 closer to the pandemic to endemic transfer, but not quite there yet.

Equities overall had a strong year in 2021. Uncertainties continued to prevail, but the markets moved upwards. Performance of individual sectors rotated throughout the year. Sectors that began the year with strength, often ended the year weaker. Renewable/ green power companies fit into this category. Sectors that began the year weak or soft, such as energy and financials, finished the year with strength. With the indices, the TSX300 was up 21.3% in 2021 while the Dow Jones was up 17.6%, Nasdaq up 20.3% and S&P500 up 23.9%. Bonds and some other fixed income investments had a more challenging year as markets await interest rate increases later in 2022.

What works well and performs best in one year does not mean that the same strategy will perform best in the next year. What struggles in one year does not indicate those struggles will continue the following year. For example, renewable energy – this sector had a strong 2020, a weak 2021. No trend can be extrapolated from this two-year performance. What kind of year will 2022 bring for renewables? No one knows, but I am confident that the renewable energy sector and their developments are not going away. Traditional energy companies finished 2021 with strength. Will this strength continue? One message from the investment markets in this area is that there continues to be a need for many energy sources and power generation. Oil and gas are not going to disappear tomorrow. While we recognize the need and desire to transition to more renewable and cleaner energy sources, this does not occur overnight. We only need look at some regions in Europe and the skyrocketing costs to heat their homes this winter of the risks of moving too quickly.

Looking forward to what companies or sectors may lead the way in 2022, we should be careful when looking at 2021 corporate revenues. In some cases, the strong 2021 profits came from economic distortions brought on by government policy responses, i.e., lockdowns. Government policies helped create corporate winners and losers. What will more “normal” revenues and earnings look like when we are able to return to a more “normal” economic and social environment.

We begin the new year on solid economic footing. Many larger businesses are able to adapt to the swings in health policies. Small businesses are dealt a tougher hand with little government support. As we travel through the year, we will learn to deal with the health issues better and more effectively. The business and market environment should remain positive.

The biggest risk we face this year is inflation. Rising costs of everything in our lives continues to move higher. Some of these cost increases should come down slightly when many of the supply chain and transportation issues are resolved. Some of the cost increases will hold at higher levels. To combat inflation, central banks will start raising interest rates to increase the cost of debt. Last spring, it was felt

that interest rates in Canada and the U.S. would start to go up at the end of 2022 or early 2023. With the sharp moves in inflation, these expectations are now for interest rate increases by the Bank of Canada and U.S. Federal Reserve sometime this spring. Change happens fast. In addition to the inflation risks are move geo-political risks which can result in volatile and sharp market movements. Russia-Ukraine and China-Taiwan to be added to the list.

As long-term investors, we will always want to remain focused on our long-term goals and objectives. Still, we will be alert to opportunities in the investment markets and look to benefit from the economic and political uncertainties.

We are beginning to send you the 2021 Performance reports and we will review and discuss these with you to ensure your investments continue to meet your goals, objectives, and risk tolerance levels.

A few other non-market points:

- 1) Reserve the date! Our next webinar is scheduled for January 26 at 11 am. The presentation is on Estate Planning – Wills, Powers of Attorney & Trusts. If interested, please reach out to Valerie at 250-361-2266.
- 2) Tax-Free Savings Account (TFSA) contribution limit for 2022 is \$6,000 or lifetime limit of \$81,500. We should be looking to make your 2022 TFSA contribution.
- 3) Registered Retirement Savings Plan (RRSP) contribution deadline for your contribution to apply to the 2021 tax year is March 1, 2022. Consider making your RRSP contribution.
- 4) It is that time of year again. Please ensure to wait until you have all of your tax slips prior to filing your income tax as issuers have until March 31, 2022 to provide their tax information to CIBC Wood Gundy. You are welcome to call us to see if you have all your slips prior to filing.

Stay healthy and, as always, remain optimistic yet cautious.

Best Regards,
CIBC Wood Gundy



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