



## JULY 2021 MARKET UPDATE

Time goes by so quickly! We are already into the second half of 2021. We all looked forward to the end of 2020 and were grateful to see 2021 on the calendar. We are fortunate to be seeing parts of “normal” life return. We can go out to restaurants, theatres, small weddings and personal gatherings. We can now begin to see the smiling faces of family and friends. Confidence is returning.

The confidence in the equity markets returned many months ago. These have been times when we look at the increasing market prices and are amazed at their strength given the state of the health pandemic and economic crisis. There are many factors that contributed to the at times unbelievable market rally. One of the main factors has been the actions of global central bankers. Both the Bank of Canada and the U.S. Federal Reserve cut interest rates almost to zero. These central bank actions were done to ensure liquidity and increased availability of money to individuals and corporations. It is not coincidental that the sharp interest rate cut helps governments as they finance their pandemic response with massive amounts of debt and the printing of money. Anyone who has purchased or rolled over a GIC in the past year has seen the impact when you collect less than 1% on a GIC. In order to generate income, investors have had to increase the focus on equities or preferred shares. This has often been referred to as a “TINA” market - There Is No Alternative.

As we head to the last half of 2021, the confidence and optimism continues. Much of this confidence remains warranted. The year-to-date 2021 index returns of +14% for the S&P 500 and +15% for the TSX are already well higher than the average return for a full year. There are many reasons to remain very bullish, but I will suggest that an increased dose of “caution” should also be considered. The next 6-12 months will be all about the central banks. Bank of Canada Governor Macklin and U.S. Federal Reserve Chair Powell will be major participants in the strengths and weaknesses of investment markets. Whenever either of these two individuals speak, the markets will look for indications of interest rate increases. Will the central banks reduce their bond purchases (tapering)? Right now, the best guesses on any risk of interest rate increases has rates in Canada starting to increase late 2022 and the U.S. early 2023. I expect to see the U.S. become more realistic with their assessments and plan for late 2022 increases. Still, the markets will swing on any news, or non-news, in the coming months. Expect increased volatility in the markets throughout the summer and into autumn. This does not mean that we should, - to quote the classic movie Trading Places - “Sell Mortimer, Sell!”, but we should be a bit more cautious. It is possible that much of the gains for 2021 have already occurred.

Enjoy summer, there are many reasons to celebrate. Our own personal levels of increasing confidence will come at our own pace.

A few administrative items to keep in mind:

- While you are enjoying your summer, you can use this time to reflect on your wishes relating to your estate planning. It doesn't need to be awkward. We can help!

According to the “6 Common Topics When Discussing Estate Planning With your Family” written by CIBC, here are the 6 estate planning conversation topics:

- 1- Making an estate plan and keeping it updated
- 2- Deciding on advanced care and medical plans
- 3- Planning for the management of financial obligations
- 4- Knowing the location of important documents and files
- 5- Envisioning your celebration of life
- 6- Painting a picture of your legacy

We can assist you and your family with having “the” conversation about estate planning. Reach out to us.

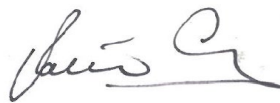
- The CIBC mobile app is getting a few upgrades. We suggest following the prompts provided to you where and when applicable. If you have questions, please let us know.
- Be on the lookout for our fall webinars. We will advise the details once finalized. Stay tuned.
- Lastly, Valerie will be away from July 9<sup>th</sup>, returning July 19<sup>th</sup> we have a backup person in place while away. Business as usual.

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

Best regards,  
CIBC Wood Gundy



Ron A. McQuarrie  
Investment Advisor  
250 361-2267  
ron.mcquarrie@cibc.ca  
<http://linkedin.com/in/ron-mcquarrie>  
[www.cibcwg.com/ron-mcquarrie](http://www.cibcwg.com/ron-mcquarrie)



Valerie Charron, FMA  
Financial Associate  
250 361-2266  
valerie.charron@cibc.ca  
<http://linkedin.com/in/valeriecharron>



Ron A. McQuarrie is a recipient of CIBC Wood Gundy's  
Senator Council Award – 2020

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