



FEBRUARY 2021 MARKET UPDATE

For several reasons, January was an action-packed month with politics, vaccines, and equity market speculations all at the forefront.

The equity markets began 2021 with continued strength and optimism. January finished with some weakness as the S&P500 ended up down 1.10% for the month and the TSX300 almost unchanged.

Despite the pullback the last of the month, there remains many reasons for optimism in the months ahead. The development of vaccines continues to progress. As written in last month's update, the logistics of rolling our vaccines to every person in the country will experience some hiccups. The supply concerns should see some relief in the weeks ahead with the expected approval of three more vaccines. This is good news.

Politics remains on the front page with a new U.S. President and his immediate call for change on many topics. The mob attack on U.S Congress early in the month really proves one point - there is no cure for stupid. These radical events re-inforce the need (including in Canada) for a strong, balanced news distribution and media system, and social media platforms to take responsibility for posts.

Much like the events of January 6 where some disruptive individuals riled up a crowd into becoming a mob, we saw similar events this past week in the equity markets. We saw a number of hedge funds and private equity managers initiate or increase their short position on a troubled company. Other disruptive individuals then used social media to rile up a crowd into becoming a mob to buy as many shares of this troubled company as possible, with the objective of hurting the short sellers. Now, there is little question about the need for increased regulation of the hedge funds industry. Personally, I see no need to allow this kind of short selling to occur. There can be an argument to support some forms of short selling, but much of the short selling of shares that occurs serves no benefit to the capital markets. If some of these hedge funds sustain large losses, or even close up shop, I will shed no tears.

As for the social media campaign to buy up shares in this, and other troubled company, the trading activity is not just retail traders without any investment knowledge doing the buying. No one likes to see a hedge fund get into trouble more than every other hedge fund. For those day traders bidding up these financially troubled companies, much pain will be felt sometime in the near future. These activities are not considered investing, it is considered speculating.

When the music stops in this game of musical chairs, many of these small speculators will not have a chair to sit on. These current stock speculating events brings back memories of the tech bubble of 1999/ 2000. A lot of pain was felt back then as well. To many in this ill-informed stock speculating mob, it is important to remember what happened in 2000. Sometimes, stock prices go down. It is right now where these speculators will test the "greater fool" theory.

For us, we will remain long-term investors. Fundamentals do matter. Revenues and earnings are important. We will continue to focus on the strength of good quality companies when making our investment decisions. The coming several weeks/ few months will not be without its problems. Many small businesses continue to struggle and hope that they can survive through this summer. Though it may be easier and more convenient to buy items from large organizations and retail chains, our local and small Canadian businesses need our support.

Friendly reminders:

- If you need to make an RRSP contribution that applies towards the 2020 tax year, the deadline is March 1, 2021.
- We are in the process of sending the realize capital gain/ loss reports to those that it applies. Please ensure to keep this report for your income tax.
- You can retrieve your duplicate tax slips issued by CIBC World Markets once they are made available via your online access. If you need to be set up for online access, please call us.
- We are happy to be a liaison between you and your tax preparer. Reminder to please inform us know of this as we will need your permission to provide any details to your tax professional.
- Please ensure you have all your tax slips before filling. T3s slips can be issued up to the end of March.

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

Best regards,
CIBC Wood Gundy



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