CIBC PRIVATE WEALTH

INVESTMENT STRATEGY GROUP

# MONTHLY WORLD MARKETS REPORT

January 2022

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Unless otherwise noted, all prices quoted in this report are as of the close of markets on December 23, 2021.

## Welcoming 2022 With Open Arms And A Hopeful Mind

While 2021 was more optimistic in general than 2020, it did bring with it a constant stream of uncertainty, not only regarding the financial markets but to our daily lives as well. The vast majority of us have spent much of the past twelve months trying to juggle life while continuously having to adapt to an ever-changing unstable environment around us. Expectations were set for a quick re-opening of the economy following the news of the development of a vaccine for COVID-19 but we have only been inching forward. For every two steps forward we experienced, we had one step backward and while this is progress, it is hard to accept this pace of improvement given that the baseline is the normal life that we were accustomed to previously. Heavyweight boxing legend Mike Tyson once famously said "Everyone has a plan until they get punched in the mouth." This captures our COVID-19 experience over the past year. Every time we seemed to be turning a corner and the plan was in place to lead us out, another variant spawned and punched us in the mouth and we were like Bill Murray in the movie Groundhog's Day all over again. Despite all the uncertainty surrounding the re-opening of the economy and the COVID-19 variants, the fallout concerns from the large amounts of monetary and fiscal stimulus, and the global supply-chain disruptions, equity markets performed very well in 2021. Companies managed the year well, posting solid earnings results and showing a strong ability to adapt. The U.S. and Canada had a strong year, leading all the other G7 countries on a total-return, constant-currency basis.

Many of the issues and concerns present in 2021 are still lingering as we enter 2022. Inflation was at first thought to be transitory but is now deemed to be permanent. This begs the question of how this will impact equities. Most of the corporations whose publicly traded equities make up the broader equity indices can pass along the cost increases to their customers. In the final two quarters of 2021, we saw strong earnings despite many companies noting that they had incurred much higher input costs. The notion of stagflation - high inflation combined with a weak economy (slowing growth and high unemployment) - has also been mentioned in investing circles. This would most definitely be negative for equity markets but it seems unlikely given the underlying strength that we continue to see in the economy. Other notable concerns are equity valuations and rising interest rates. Directionally, it is fairly safe to say that interest rates have little room to go anywhere but up. Given that this will pressure bond prices and that company earnings are expected to continue to deliver in 2022, equities seem to be the asset class of choice when compared to fixed income. By historical standards, equity valuations are high, particularly in the U.S. (S&P 500 Index). However, when we consider equities in the context of interest rates, equities become a more attractive investment. In addition to this, earnings expectations for 2022 are still expected to remain solid although likely less impressive than 2021 as monetary and fiscal stimulus tapers off. Taken altogether, the lack of alternatives providing a reasonable risk/return measure will keep equities at the top of the podium. In Canada, valuations are more reasonable and more or less in line with their long-term historical averages. Overall, while equity returns will likely not be as impressive as they were in 2021, a more modest mid-single-digit percentage return coupled with a good dividend yield should make for a relatively healthy total return.

For 2022, CIBC is currently forecasting a 25 basis point interest rate hike by the Bank of Canada beginning in April and two subsequent 25 basis point hikes with one in September and December, respectively. This will pressure some sectors while others will benefit from the rate hikes. Within Canada, the financial sector, which is the largest component of the S&P/TSX Index, is expected to be a beneficiary of higher rates. The banks are primed for a strong year as they have very healthy balance sheets, significant cash on hand, and are in an economic environment that will only add to their highly profitable business model. Canada's consumer sectors generally consist of stable businesses with growth on par with the overall GDP level. These sectors also are likely to do well as supply disruptions fade and stability and consistency of inputs and product availability returns. On the other side of the spectrum are the utilities, materials, and technology sectors. Utilities and technology are typically hurt as rates rise. As rates increase, the utilities sector becomes less attractive as a bond proxy and it is also pressured due to the capital-intensive nature of the industry. Technology stocks will likely experience less of a tailwind from the work-from-home digital transformation as they have in the past year. Additionally, the technology sector has been more sensitive to interest rates historically than many other sectors given the larger impact a rate increase will have on the high-growth expectations and higher expected future earnings that are built into the already-high valuations of the stocks in this sector. With CIBC expecting precious metal prices, gold specifically, to moderate in 2022 due to rising interest rates, the materials space is expected to lag other sectors.

***CIBC Capital Markets Equity Research - Sector Ratings For 2022***

| S&P/TSX Sector | Index Weight | CIBC Sector Rating |
|---|---|---|
| Financials | 32.1% | Overweight |
| Consumer Staples | 3.6% | Overweight |
| Consumer Discretionary | 3.5% | Overweight |
| Energy | 12.9% | Market Weight |
| Industrials | 11.7% | Market Weight |
| Communication Services | 4.8% | Market Weight |
| Real Estate | 3.1% | Market Weight |
| Health Care | 0.8% | Market Weight |
| Materials | 11.5% | Underweight |
| Technology | 11.5% | Underweight |
| Utilities | 4.5% | Underweight |

Source: CIBC Capital Markets

While our magic 8-balls and tarot cards can only provide us with so much information on the financial markets, it is reasonable to assume that 2022 will be less impressive from a return standpoint than 2021. That said, there is a lot to be optimistic about in 2022: equities should continue to deliver positive returns, the economy should continue to expand, and our lives should continue inching their way towards normalcy.

"Hard times fall upon everybody. Whatever it is, we're going to get out of it." - Mike Tyson

Hopefully 2022 is that year!

**BRAD BROWN, MBA, CFA**

# Inflation And Your Portfolio

Inflation is a major consideration when it comes to the performance of investment portfolios and inflation recently hit a 30-year-high. Interest rates in Canada and the U.S. are for now holding at lower levels and the conclusion of the 40-year-old bond bull market seems to have reached its end. Bond prices are gradually dropping, and bond yields are rising, indicating the start of a possible bear market for bonds and the start of a cycle of rising interest rates.

Canadian inflation climbed to the highest in two decades reaching 4.7% in October and held that level in November, the highest since 2003 and adding pressure on the Bank of Canada to raise interest rates. Inflation has now exceeded the central bank's 1% to 3% control range for 8 straight months as global supply chain holdups push up prices. Caused by inflation worries, the Bank of Canada signaled it could start raising interest rates as early as April 2022. Markets expect that the Bank of Canada will raise its benchmark overnight rate to 1.5% over the next 12 months, from 0.25% now. Markets are pricing in five interest-rate increases next year.

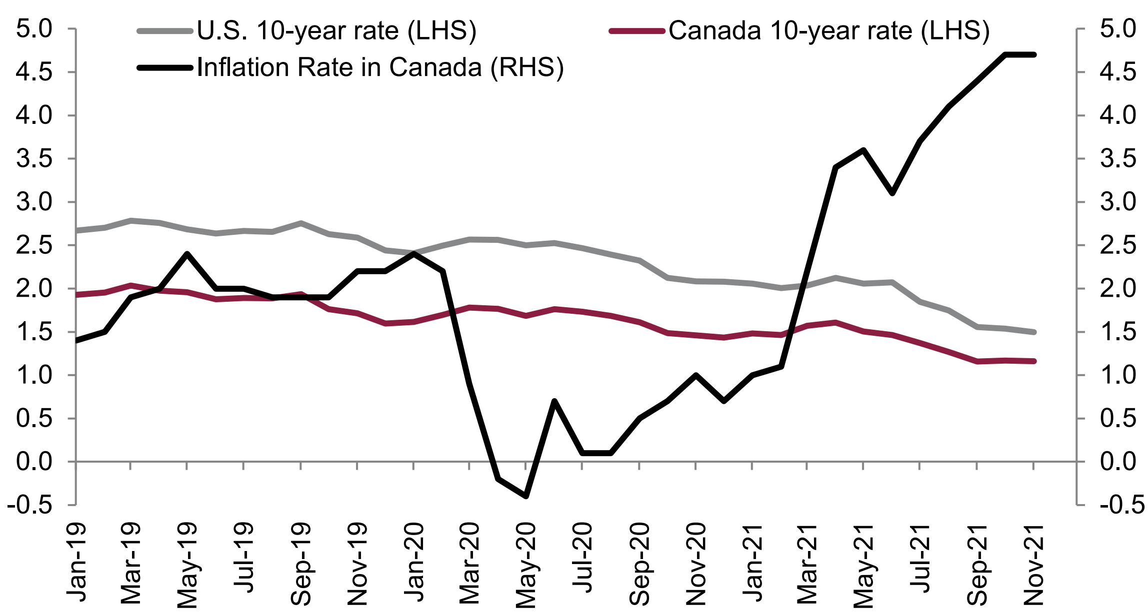
## Evaluate

The fear of inflation is to be expected, as it can be challenging for investors to navigate a high-inflation market. By understanding the impact of inflation on stocks and bonds, as well as what sectors to watch and avoid, investors can manage the risk to their portfolios against the impacts of inflation.

Bonds are traditionally stable, low-risk and good hedges from the potential volatility of stocks. Unfortunately, the bond market does not do well with inflation. When inflation rises, central banks will increase interest rates to decrease borrowing. Finally, the price of the bonds will drop, lowering the value of the investor's investment.

Even though stocks are generally more volatile than bonds, they will more likely keep up with inflation. Financial markets tend to be cyclical, thus diversified portfolios are usually equipped to handle inflation concerns. Numerous financial advisors discourage rebalancing the portfolio during inflation, as long your portfolio is already adequately diversified. Your portfolio should reflect your risk tolerance based on who you are as an investor and the age that you are. High inflation will certainly reduce stock and bond returns, so don't rush into a complete portfolio overhaul out of fear.

***Canadian and U.S. Benchmark 10Y Government Bond Yields and Inflation Rate in Canada***




Source: Bloomberg / Bank of Canada

## What Are The Options?

A diversified selection of bonds in your portfolio will make it less volatile and less likely to suffer large losses during a market downturn. Given the current landscape within the global interest rate environment, it is an ideal time to refocus on client's fixed-income investments. In the course of a review, consider the following criteria: duration, diversification by sector, quality, ratings and investment objectives. When reviewing client investments keep in mind some of the following ideas that may help a client's portfolio to benefit from rising interest rates:

1. Constructing a bond ladder, which is a series of bonds that mature at regular intervals over a period, e.g., three to five years. As rates rise, the proceeds from each maturing bond are reinvested at the new higher rate at the long end of the ladder, allowing the proceeds to capture successively higher interest rates. This allows for a staggered reinvestment.

2. Lightening up on longer-term, fixed-income investments and adding to shorter-term positions. Consider provincial or investment-grade corporates over sovereign bonds, which will provide higher rates of return.

3. Investors seeking low interest rate risk can also consider a floating-rate ETF or mutual fund. The interest rates on these securities reset periodically based on market rates.

4. Low-duration ETFs can reduce a portfolio's average duration. Low duration (the sensitivity of a bond's price to changes in interest rates) reduces a portfolio's interest-rate risk. Inverse ETFs (funds that short treasury bonds) can be considered; they rise in price when interest rates increase (bond prices and rates move inversely)

5. Floating-rate notes are another option. When market rates rise, the expected coupons of the notes increase, meaning their prices remain constant, protecting the principal investment. Most reset quarterly. Check with your investment advisor for available inventory offerings of bonds and floating-rate notes.

6. While there are many types of preferred shares, fixed-reset and floating-rate preferred' s will benefit best from rising rates. Fixed-resets pay a dividend that resets every five years at a spread over the 5-Year Government of Canada bond yield and are best held by mimicking a bond ladder by owning issues that reset each year, providing long-term benefits from rates trending higher. Floating-rate preferred dividends are tied either to the 90-day T-Bill yield or the Prime Rate, with the dividend adjusted either quarterly or monthly as those rates change.

## The Bottom Line

The truth about high inflation is that it is a cyclical aspect of the economy. Investors should not try and time their investments based on market predictions, and rather persistently focus on overweighing certain sectors rather than overhauling their portfolio. Further, emphasizing specific sectors and avoiding others will help in rebalancing to offset inflation and manage risk to your portfolio.

**ALLAN BISHOP**

## Canadian equities

### Sun Life Financial (SLF, $69.98, Outperformer) Price Target: $81.00

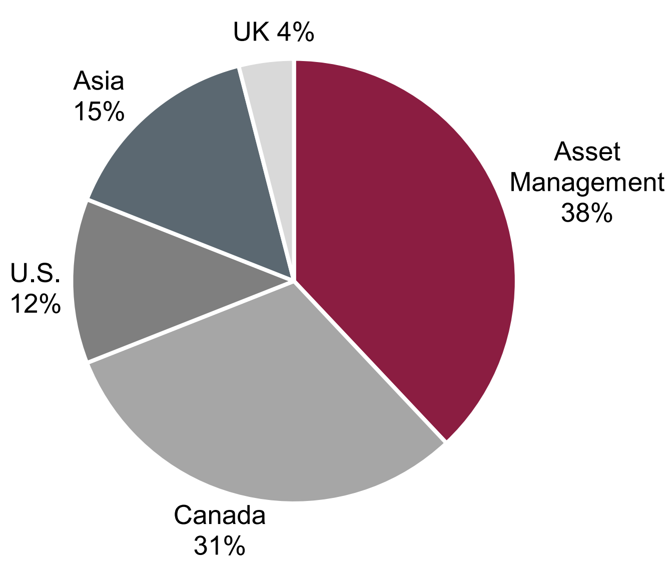
Sun Life Financial is the second-largest life insurance company in Canada by market capitalization. It has business entities in many regions including Canada, the U.S., the U.K., and Asia. It serves individuals and corporate clients globally. Through a network of advisors, third-party partners, and distributors, the company provides insurance, mutual funds, pensions, annuities, trust services, investment management, and banking services. The company has a total of $1.39 trillion in assets under management.

Sun Life announced the acquisition of DentaQuest in October 2021. According to Sun Life, the deal is expected to be immediately accretive to underlying earnings per share (EPS) by approximately $0.17 annualized upon the closing in the first half of 2022. On top of this, there is an expectation for run-rate cost synergies of about US$60 million by 2024. These cost savings are expected to generate an additional $0.07 of accretion to EPS. In terms of funding, the US$2.5 billion DentaQuest acquisition is split between cash and debt (40% cash and 60% debt). CIBC analyst Paul Holden notes that SLF's pro forma Life Insurance Capital Adequacy Test (LICAT) ratio is at 137%, which is still at the top end of the range relative to its peers, implying to him that the insurer likely has adequate room to make another accretive acquisition should the opportunity present itself. When considering pro forma leverage, SLF remains below the 30% capacity that management has pointed to in the past; current leverage sits near 27.6%.

SLF also announced that its Indian Asset Management joint venture, Aditya Birla Sun Life AMC Limited (ABSLAMC), completed its IPO with SLF monetizing 12.5% of its holdings in this high-multiple business. Mr. Holden noted that the partial sale of its holdings should allow SLF to fund future acquisitions at a lower multiple, while the 36.5% that it continues to hold provides upside via the high-growth business. Most recently, Sun Life agreed to sell its Canadian-sponsored markets business to Canadian Premier Life Insurance Company. Mr. Holden believes that while the financial implications are not material, the transaction should be viewed as another action towards capital optimization, which is a key reason for the premium valuation multiple on its stock.

Mr. Holden increased the price target of Sun Life from $74 to $81 as he expects slightly higher 2023 EPS given SLF's revised return on equity (ROE) target of at least 16%. He believes the two largest potential sources of upside for SLF will be the growth in its SLC Asset Management business and its capital deployment. CIBC's price target implies an 11x price-to-earnings ratio (P/E) multiple. This represents an increase from the 10x P/E multiple that was previously assigned to the stock. Paul believes this higher multiple is justified given the quality of earnings mix, capital generation, and the new ROE target.

***Sun Life Financial Underlying Net Income by Business Group***




Source: Company reports

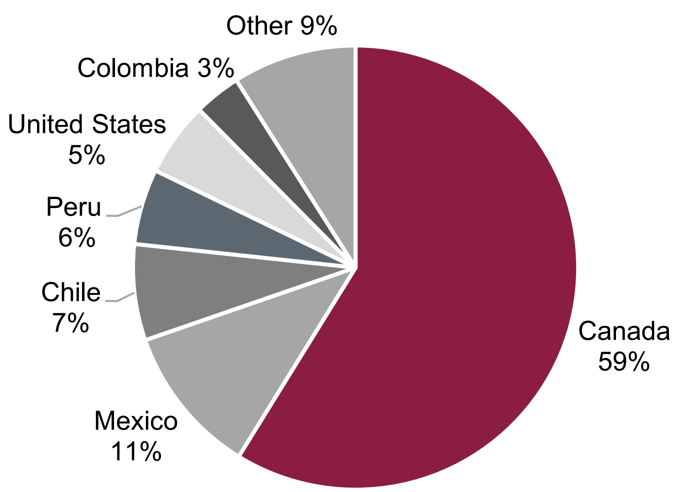
**ANKUR JAIN**

## Bank of Nova Scotia (BNS, $89.31, Outperformer) Price Target: $96.00

Bank of Nova Scotia is a financial services provider that operates in over 55 countries worldwide. The company offers its clients a wide variety of financial products and services and is Canada's third-largest bank in terms of market capitalization. The bank's main operating segments are: 1) Canadian Banking, 2) International Banking, 3) Global Banking and Markets, and 4) Global Wealth Management.

Moving into the new year, the outlook for the Canadian banks looks positive given strong loan growth levels and the expectation for higher interest rates. Scotiabank was one of the few banks to report an earnings beat during the recent Q4/2021 quarterly print. It posted the largest year-over-year growth in profitability versus its peers, announced an 11% increase to its quarterly dividend, and authorized a share repurchase program for the equivalent of 2% of its outstanding stock. Scotiabank stands out amongst the big five Canadian banks given its sizeable international banking exposure. Approximately 59% of the bank's revenue is derived from its operations in Canada, while the remaining 41% is generated through its international banking segment. Scotia's international operations are mostly focused in Latin American countries such as Mexico, Chile, Peru, and Colombia. CIBC analyst Paul Holden expects Scotiabank's international segment to be a meaningful growth driver in fiscal 2022. The bank has been a beneficiary of rising interest rates across the Pacific Alliance, a trend that is predicted to continue into 2022. Scotiabank also recently made a strategic shift to de-risk its international lending portfolio, which should help it to minimize volatility in its earnings.

***Bank of Nova Scotia LTM Revenue Exposure by Country***




Source: FactSet

The company trades at a discount to its peers given its large international banking segment, which is typically considered to be higher risk. As a result of the steps that Scotiabank has taken to reduce the risk of its international lending book, and the tailwinds provided by rising Latin American interest rates, Mr. Holden sees justification for the valuation gap between Scotiabank and its peers to narrow. As such, he views the company as attractively valued, and as a top pick in the Canadian banking space.

**LAUREN ELLISON, CFA, CFP, CIM, PFP**

## Company Data

A – Actual for the fiscal year; E – Estimate for the fiscal year; NM – Not Meaningful.

| Company Name | Symbol | Stock Rating | Market Cap | Price 23-Dec-21 | Price Target | Adjusted EPS 2020A | Adjusted EPS 2021E | Adjusted EPS 2022E | P/E 2021E | Dividend Yield |
|---|---|---|---|---|---|---|---|---|---|---|
| Sun Life Financial | SLF | OP | $40.8B | $69.98 | $81.00 | $5.49 | $6.06 | $6.62 | 11.6x | 3.1% |
| Bank of Nova Scotia[1] | BNS | OP | $108.6B | $89.31 | $96.00 | - | $7.88A | $8.58 | 10.4x | 4.5% |

[1]P/E is based on 2022 EPS estimate. For a full description of the CIBC World Markets Inc. and the Research Rating System, please see disclosures and disclaimers at the end of the report.

## Market return data

All data is sourced from Bloomberg unless otherwise noted. Data as of January 4, 2021.

### North American indices – Price performance (% Change)

| North America indices | Price | 1 Month | 3 Months | 6 Months | YTD |
|---|---|---|---|---|---|
| S&P/TSX Composite | 21,223 | 2.7% | 5.7% | 5.2% | 0.0% |
| S&P/TSX Composite – Total Return | 79,866 | 3.1% | 6.5% | 6.7% | 0.0% |
| S&P 500 Index | 4,766 | 4.4% | 10.6% | 10.9% | 0.0% |
| S&P 500 Index – Total Return | 9,987 | 4.5% | 11.0% | 11.7% | 0.0% |
| Dow Jones Industrial Average | 36,338 | 5.4% | 7.4% | 5.3% | 0.0% |
| Dow Jones Industrial Average – Total Return | 85,603 | 5.5% | 7.9% | 6.3% | 0.0% |
| Nasdaq Composite Index | 15,645 | 0.7% | 8.3% | 7.9% | 0.0% |

### North American indices – Price performance (% Change - Annualized)

| North America indices | 1 Year | 2 Years | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years |
|---|---|---|---|---|---|---|---|
| S&P/TSX Composite | 21.7% | 11.5% | 14.0% | 6.8% | 5.9% | 3.4% | 5.2% |
| S&P/TSX Composite – Total Return | 25.1% | 14.9% | 17.5% | 10.0% | 9.1% | 6.5% | 8.1% |
| S&P 500 Index | 26.9% | 21.5% | 23.9% | 16.3% | 14.3% | 8.4% | 7.4% |
| S&P 500 Index – Total Return | 28.7% | 23.4% | 26.1% | 18.5% | 16.6% | 10.7% | 9.5% |
| Dow Jones Industrial Average | 18.7% | 12.8% | 15.9% | 13.0% | 11.5% | 7.4% | 6.7% |
| Dow Jones Industrial Average – Total Return | 20.9% | 15.2% | 18.5% | 15.5% | 14.2% | 10.1% | 9.3% |
| Nasdaq Composite Index | 21.4% | 32.0% | 33.1% | 23.8% | 19.6% | 13.3% | 11.0% |

### International indices – Price performance (% Change)

| International indices | Price | 1 Month | 3 Months | 6 Months | YTD |
|---|---|---|---|---|---|
| Bloomberg Euro 500 | 317 | 5.1% | 6.5% | 6.1% | 0.0% |
| FTSE Eurotop 100 | 3,562 | 5.7% | 8.1% | 8.3% | 0.0% |
| FTSE 100 (England) | 7,385 | 4.6% | 4.2% | 4.9% | 0.0% |
| Dax (Germany) | 15,885 | 5.2% | 4.1% | 2.3% | 0.0% |
| CAC 40 (France) | 7,153 | 6.4% | 9.7% | 9.9% | 0.0% |
| MSCI World | 3,232 | 4.2% | 7.5% | 7.1% | 0.0% |
| MSCI Emerging Markets | 1,232 | 1.6% | -1.7% | -10.4% | 0.0% |
| MSCI Emerging Markets – Total Return | 2,984 | 1.9% | -1.2% | -9.1% | 0.0% |
| MSCI EAFE | 2,336 | 5.1% | 2.4% | 1.4% | 0.0% |
| MSCI EAFE – Total Return | 10,463 | 5.1% | 2.7% | 2.4% | 0.0% |
| Nikkei 225 (Japan) | 28,792 | 3.5% | -2.2% | 0.0% | 0.0% |
| Hang Seng (Hong Kong) | 23,398 | -0.3% | -4.8% | -18.8% | 0.0% |
| ASX 200 (Australia) | 7,445 | 2.6% | 1.5% | 1.8% | 0.0% |
| Taiwan Weighted | 18,219 | 4.5% | 7.6% | 2.6% | 0.0% |
| Sensex 30 (India) | 58,254 | 2.1% | -1.5% | 11.0% | 0.0% |

### International indices – Price performance (% Change - Annualized)

| International indices | 1 Year | 2 Years | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years |
|---|---|---|---|---|---|---|---|
| Bloomberg Euro 500 | 19.7% | 7.1% | 11.9% | 5.5% | 6.5% | 1.3% | 2.0% |
| FTSE Eurotop 100 | 23.6% | 6.3% | 11.3% | 4.8% | 5.4% | 0.9% | 1.1% |
| FTSE 100 (England) | 14.3% | -1.1% | 3.2% | 0.7% | 2.9% | 1.1% | 1.8% |
| Dax (Germany) | 15.8% | 9.5% | 14.6% | 6.7% | 10.4% | 6.0% | 5.8% |
| CAC 40 (France) | 28.9% | 9.4% | 14.8% | 8.0% | 8.5% | 1.7% | 2.2% |
| MSCI World | 20.1% | 17.1% | 19.7% | 13.0% | 10.6% | 5.3% | 6.0% |
| MSCI Emerging Markets | -4.6% | 5.1% | 8.5% | 7.4% | 3.0% | 2.0% | 7.0% |
| MSCI Emerging Markets – Total Return | -2.2% | 7.7% | 11.3% | 10.3% | 5.9% | 4.8% | 10.0% |
| MSCI EAFE | 8.8% | 7.1% | 10.7% | 6.8% | 5.2% | 0.8% | 3.6% |
| MSCI EAFE – Total Return | 11.8% | 10.0% | 14.1% | 10.1% | 8.5% | 4.1% | 6.8% |
| Nikkei 225 (Japan) | 4.9% | 10.3% | 12.9% | 8.5% | 13.0% | 3.5% | 5.2% |
| Hang Seng (Hong Kong) | -14.1% | -8.9% | -3.3% | 1.2% | 2.4% | 1.1% | 3.7% |
| ASX 200 (Australia) | 13.0% | 5.5% | 9.7% | 5.6% | 6.3% | 1.8% | 4.0% |
| Taiwan Weighted | 23.7% | 23.2% | 23.3% | 14.5% | 9.9% | 5.8% | 6.1% |
| Sensex 30 (India) | 22.0% | 18.8% | 17.3% | 17.0% | 14.2% | 10.1% | 15.5% |

## Index returns in Canadian dollars – Price performance (% Change)

| Index returns in Canadian dollars | Price | 1 Month | 3 Months | 6 Months | YTD |
|---|---|---|---|---|---|
| S&P/TSX Composite | 21,223 | 2.7% | 5.7% | 5.2% | 0.0% |
| S&P/TSX Composite - Total Return | 79,866 | 3.1% | 6.5% | 6.7% | 0.0% |
| S&P 500 Index | 6,029 | 3.0% | 10.3% | 13.1% | 0.0% |
| S&P 500 Index - Total Return | 12,632 | 3.1% | 10.7% | 13.8% | 0.0% |
| Dow Jones Industrial Average | 45,964 | 4.0% | 7.0% | 7.4% | 0.0% |
| Dow Jones Industrial Average - Total Return | 108,279 | 4.1% | 7.5% | 8.4% | 0.0% |
| Russell 2000 | 2,840 | 0.8% | 1.6% | -0.9% | 0.0% |
| Nasdaq Composite Index | 19,789 | -0.6% | 8.0% | 10.0% | 0.0% |
| Bloomberg Euro 500 | 457 | 4.4% | 4.5% | 4.0% | 0.0% |
| EURO STOXX 50 | 6,191 | 5.1% | 4.2% | 3.6% | 0.0% |
| EURO STOXX 50 -Total Return | 13,669 | 5.1% | 4.4% | 4.1% | 0.0% |
| MSCI World | 4,088 | 2.8% | 7.2% | 9.2% | 0.0% |
| MSCI Emerging Markets | 1,558 | 0.3% | -2.0% | -8.6% | 0.0% |
| MSCI Emerging Markets -Total Return | 3,774 | 0.6% | -1.5% | -7.4% | 0.0% |
| MSCI EAFE | 2,955 | 3.7% | 2.1% | 3.3% | 0.0% |
| MSCI EAFE - Total Return | 13,234 | 3.7% | 2.4% | 4.4% | 0.0% |
| MSCI Far East | 5,036 | 0.2% | -4.4% | -0.3% | 0.0% |

## Index returns in Canadian dollars – Price performance (% Change - Annualized)

| Index returns in Canadian dollars | 1 Year | 2 Years | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years |
|---|---|---|---|---|---|---|---|
| S&P/TSX Composite | 21.7% | 11.5% | 14.0% | 6.8% | 5.9% | 3.4% | 5.2% |
| S&P/TSX Composite - Total Return | 25.1% | 14.9% | 17.5% | 10.0% | 9.1% | 6.5% | 8.1% |
| S&P 500 Index | 25.7% | 19.9% | 20.9% | 14.9% | 16.8% | 9.0% | 6.1% |
| S&P 500 Index - Total Return | 27.5% | 21.9% | 23.0% | 17.0% | 19.1% | 11.3% | 8.3% |
| Dow Jones Industrial Average | 17.6% | 11.4% | 13.1% | 11.6% | 14.0% | 8.0% | 5.4% |
| Dow Jones Industrial Average - Total Return | 19.8% | 13.7% | 15.6% | 14.1% | 16.7% | 10.7% | 8.0% |
| Russell 2000 | 12.6% | 14.5% | 15.6% | 9.2% | 14.2% | 7.8% | 6.7% |
| Nasdaq Composite Index | 20.3% | 30.4% | 29.8% | 22.3% | 22.3% | 13.9% | 9.7% |
| Bloomberg Euro 500 | 10.4% | 6.5% | 8.9% | 5.9% | 7.4% | 0.9% | 2.0% |
| EURO STOXX 50 | 11.6% | 6.5% | 9.8% | 5.8% | 7.3% | -0.2% | 0.7% |
| EURO STOXX 50 -Total Return | 13.8% | 8.6% | 12.2% | 8.3% | 10.2% | 2.7% | 3.5% |
| MSCI World | 19.0% | 15.6% | 16.8% | 11.7% | 13.0% | 5.9% | 4.8% |
| MSCI Emerging Markets | -5.5% | 3.8% | 5.8% | 6.1% | 5.3% | 2.6% | 5.8% |
| MSCI Emerging Markets -Total Return | -3.1% | 6.4% | 8.6% | 8.9% | 8.2% | 5.4% | 8.7% |
| MSCI EAFE | 7.8% | 5.7% | 8.0% | 5.5% | 7.5% | 1.3% | 2.4% |
| MSCI EAFE - Total Return | 10.7% | 8.6% | 11.3% | 8.7% | 10.9% | 4.7% | 5.6% |
| MSCI Far East | -1.7% | 3.1% | 5.4% | 4.7% | 8.2% | 1.8% | 2.8% |

## Commodities – (% Change)

| Commodities | Price | 1 Month | 3 Months | 6 Months | 1 Year | YTD |
|---|---|---|---|---|---|---|
| Gold Spot (US$/oz) | 1,829.20 | 3.1% | 4.1% | 3.3% | -3.6% | 0.0% |
| Silver (US$/oz) | 23.31 | 2.1% | 5.1% | -10.8% | -11.7% | 0.0% |
| Brent Crude Oil | 77.78 | 10.2% | -0.9% | 3.5% | 50.2% | 0.0% |
| West Texas Intermediate Oil | 75.21 | 13.6% | 0.2% | 2.4% | 55.0% | 0.0% |
| NYMEX Natural Gas | 3.73 | -18.3% | -36.4% | 2.2% | 46.9% | 0.0% |
| Spot Nat. Gas (AECO Hub - USD) | 3.29 | 11.5% | 13.1% | -4.6% | 68.7% | 0.0% |
| Lumber | 1,147.90 | 39.2% | 82.9% | 60.3% | 31.5% | 0.0% |
| Copper 3-month | 4.41 | 2.9% | 8.8% | 3.7% | 25.2% | 0.0% |
| Nickel 3-month | 9.42 | 4.3% | 15.7% | 14.0% | 24.9% | 0.0% |
| Aluminum 3-month | 1.27 | 7.0% | -1.8% | 11.3% | 41.8% | 0.0% |
| Zinc 3-month | 1.60 | 10.4% | 18.3% | 18.8% | 28.5% | 0.0% |

## Currencies – (% Change)

| Currencies | Price | 1 Month | 3 Months | 6 Months | 1 Year | YTD |
|---|---|---|---|---|---|---|
| CAD/USD | 0.7913 | 1.1% | 0.3% | -1.9% | 0.7% | 0.0% |
| EURO/CAD | 1.4380 | -0.8% | -2.1% | -2.2% | -7.5% | 0.0% |
| EURO/USD | 1.1370 | 0.3% | -1.8% | -4.1% | -6.9% | 0.0% |
| USD/YEN | 115.0800 | 1.7% | 3.4% | 3.6% | 11.5% | 0.0% |
| Trade Weighted U.S. Dollar | 95.6700 | -0.3% | 1.5% | 3.5% | 6.4% | 0.0% |

## Bond returns – Total return (% Change)

| Bond Index | 1 Month | 3 Months | 6 Months | 1 Year | YTD |
|---|---|---|---|---|---|
| FTSE Canada Bond Universe Index | 1.7% | 1.5% | 1.0% | -2.5% | 0.0% |
| FTSE Canada Long Term Bond Index | 3.6% | 4.8% | 3.1% | -4.5% | 0.0% |
| FTSE Canada Mid Term Bond Index | 1.1% | 0.3% | 0.3% | -2.7% | 0.0% |
| FTSE Canada Short Term Bond Index | 0.4% | -0.5% | -0.4% | -0.9% | 0.0% |

## Government Yields

| Government Notes | Yield | 1 Month | 3 Months | 6 Months | 1 Year |
|---|---|---|---|---|---|
| Canada 3-month T-Bills | 0.16% | 0.06% | 0.12% | 0.15% | 0.06% |
| Canada 5yr Notes | 1.26% | 1.40% | 1.11% | 0.98% | 0.39% |
| Canada 10yr Notes | 1.43% | 1.57% | 1.51% | 1.39% | 0.68% |
| Canada 30yr Bonds | 1.68% | 1.89% | 1.99% | 1.84% | 1.21% |
| U.S. 3-month T-Bills | 0.03% | 0.05% | 0.03% | 0.04% | 0.06% |
| U.S. 5yr Notes | 1.26% | 1.16% | 0.96% | 0.89% | 0.36% |
| U.S. 10yr Notes | 1.51% | 1.44% | 1.49% | 1.47% | 0.91% |
| U.S. 30yr Bonds | 1.90% | 1.79% | 2.04% | 2.09% | 1.64% |

## S&P/TSX GICS sectors – Price performance (% Change)

| S&P/TSX GICS Sectors | 1 Month | 3 Months | 6 Months | 1 Year | YTD | Index Weight (%) |
|---|---|---|---|---|---|---|
| Consumer Discretionary | 7.0% | 7.3% | -0.2% | 16.3% | 0.0% | 3.6% |
| Consumer Staples | 8.9% | 7.4% | 11.9% | 20.6% | 0.0% | 3.7% |
| Energy | 1.9% | 4.4% | 6.1% | 41.8% | 0.0% | 13.1% |
| Energy - Integrated Oil & Gas | 2.7% | 19.9% | 13.7% | 63.4% | 0.0% | 2.5% |
| Energy - Oil & Gas Exploration & Production | 3.7% | 10.0% | 18.1% | 84.6% | 0.0% | 3.8% |
| Energy - Pipeline | 1.2% | -3.1% | -2.6% | 20.8% | 0.0% | 6.1% |
| Financials | 5.9% | 8.4% | 8.7% | 31.6% | 0.0% | 32.2% |
| Financials - Banks | 6.1% | 9.6% | 8.3% | 32.8% | 0.0% | 21.7% |
| Financials - Insurance | 4.0% | 1.9% | 4.5% | 20.4% | 0.0% | 4.2% |
| Real Estate | 6.2% | 8.5% | 11.3% | 33.1% | 0.0% | 3.1% |
| Health Care | -5.7% | -18.4% | -34.3% | -20.1% | 0.0% | 0.8% |
| Industrials | -0.4% | 4.7% | 8.5% | 15.1% | 0.0% | 12.0% |
| Information Technology | -6.6% | -1.4% | -2.7% | 18.3% | 0.0% | 10.7% |
| Materials | 3.2% | 10.2% | 3.6% | 2.3% | 0.0% | 11.5% |
| Materials - Gold | 0.4% | 8.4% | -1.9% | -10.9% | 0.0% | 6.1% |
| Materials - Base Metals | 0.4% | 18.6% | 24.4% | 47.8% | 0.0% | 1.0% |
| Materials - Fertilizers | 12.3% | 15.7% | 26.6% | 55.3% | 0.0% | 1.8% |
| Communication Services | 2.8% | 3.6% | 3.2% | 19.1% | 0.0% | 4.7% |
| Utilities | 5.6% | 4.3% | 4.4% | 7.5% | 0.0% | 4.6% |

## Strategic asset allocation[1] (in C$) - Performance (% Change - Before Fees)

| Strategic Asset Allocation (in C$) | 1 Month | 3 Months | 6 Months | 1 Year | YTD |
|---|---|---|---|---|---|
| Capital Preservation | 1.6% | 2.2% | 2.0% | 3.5% | 0.0% |
| Income | 2.0% | 2.9% | 2.7% | 5.9% | 0.0% |
| Income & Growth | 2.6% | 4.4% | 4.3% | 12.2% | 0.0% |
| Growth | 3.1% | 5.5% | 5.4% | 15.8% | 0.0% |
| Aggressive Growth | 3.7% | 6.8% | 6.9% | 20.7% | 0.0% |

## CIBC World Markets interest rate outlook

| Interest rates (%) – End of Qtr | 23-Dec-21 | Mar-22 | Jun-22 |
|---|---|---|---|
| Canada 3-month T-Bill | 0.18% | 0.05% | 0.40% |
| U.S. 3-month T-Bill | 0.08% | 0.05% | 0.35% |
| Canada 10-year Gov't Bond Yield | 1.45% | 1.75% | 1.95% |
| U.S. 10-year Gov't Bond Yield | 1.50% | 1.80% | 2.00% |
| US$/C$ | 0.78 | 0.78 | 0.78 |

Source: CIBC World Markets Inc.

[1] Refer to the Strategic asset allocation in Appendix 1

## CIBC World Markets economic outlook

| Economic outlook | 2021F | 2022F |
|---|---|---|
| Canada Real GDP Growth (% Chg) | 4.50% | 4.00% |
| U.S. Real GDP Growth (% Chg) | 5.50% | 4.20% |
| Canada Consumer Price Index (% Chg) | 3.40% | 2.70% |
| U.S. Consumer Price Index (% Chg) | 4.60% | 3.60% |

Source: CIBC World Markets Inc.

# Appendix 1: Strategic asset allocation

Capital Preservation: 5% Global Equity, 15% Canadian Equity, 55% Bonds, 25% Cash

Income: 10% Global Equity, 20% Canadian Equity, 55% Bonds, 15% Cash

Income & Growth: 25% Global Equity, 30% Canadian Equity, 35% Bonds, 10% Cash

Growth: 40% Global Equity, 30% Canadian Equity, 25% Bonds, 5% Cash

Aggressive Growth: 60% Global Equity, 30% Canadian Equity, 10% Bonds, 0% Cash

# Price target calculations

**Sun Life Financial (SLF):** CIBC analyst Paul Holden's price target of $81.00 is derived by applying an 11x P/E multiple to his 2023E EPS estimate.

**Bank of Nova Scotia (BNS):** CIBC analyst Paul Holden's price target of $96 is derived by applying a 10.2x P/E multiple to his F2023 EPS estimate.

# Disclosures and disclaimers

## Important disclosure footnotes for companies mentioned in this report that are covered by CIBC World Markets Corp./Inc.:

**Stock prices as of 12/23/2021:**

Sun Life Financial (2a, 2c, 2e, 2g, 7) (SLF-TSX, C$69.98)

Bank of Nova Scotia (2a, 2c, 2e, 2g, 3a, 3c, 6c, 7) (BNS-TSX, C$89.31)

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2e CIBC World Markets Inc. has received compensation for investment banking services from this company in the past 12 months.

2f CIBC World Markets Corp. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

2g CIBC World Markets Inc. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

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3c CIBC World Markets Inc. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.

4a This company is a client for which a CIBC World Markets company has performed non-investment banking, non-securities-related services in the past 12 months.

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# CIBC World Markets Research rating system

## Stock ratings

| Abbreviation | Rating | Description |
|---|---|---|
| OP | Outperformer | Stock is expected to outperform the sector during the next 12-18 months. |
| NT | Neutral | Stock is expected to perform in line with the sector during the next 12-18 months. |
| UN | Underperformer | Stock is expected to underperform the sector during the next 12-18 months. |
| NR | Not Rated | CIBC does not maintain an investment recommendation on the stock. |
| R | Restricted | CIBC World Markets is restricted[2] from rating the stock. |

## Sector weightings[3]

| Abbreviation | Rating | Description |
|---|---|---|
| O | Overweight | Sector is expected to outperform the broader market averages. |
| M | Market Weight | Sector is expected to equal the performance of the broader market averages. |
| U | Underweight | Sector is expected to underperform the broader market averages. |
| NA | None | Sector rating is not applicable. |

"Speculative" indicates that an investment in this security involves a high amount of risk due to volatility and/or liquidity issues.

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[2] Restricted due to a potential conflict of interest.

[3] Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.