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Wealth Management Group

BMO Nesbitt Burns

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We continue to wish you and your family good health and optimistically believe better times are ahead for all of us in Canada in the very near future.

This newsletter will focus on wealth and tax planning for 2022. Included is a 2022 Personal Tax planner, an article to help you save taxes and protect your net worth, and a market review for January.

Tax Planning 2022

Tax planning should be a year-round activity, to maximize the savings opportunities available to you. The [2022 Personal Tax Calendar](#) summarizes important tax deadlines and provides some planning tips for you to consider throughout the year ahead.

Saving Taxes and Protecting Your Net Worth

The start of a new year is a good time to review and set your financial priorities for the year ahead. The attached article, [Financial Resolutions for 2022](#), discusses several opportunities that could help you save taxes, protect and increase your net worth, and position you for financial success in 2022.

January Market Review

January Selloff Brings Worst Monthly S&P 500 Decline Since March 2020

The S&P 500 posted its worst monthly loss since March 2020 with the index falling 5.3% in January and suffering a 9.8% peak-to-trough decline during the month. The hawkish Fed shift and concerns related to the timing and pace of monetary policy tightening seemed to be the major contributors to the selloff, while inflation and supply chain worries, dampened fiscal support, omicron, and geopolitical tensions were also overhangs on sentiment. The path of least resistance for stocks was lower for most of the month, but a big bounce in the final two trading days helped the S&P 500 pare losses with the index ending January.



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Valuations Broadly Contract Amid Selloff

Stock valuations broadly contracted in January driven by the S&P 500 selloff along with increases to bottom-up EPS across many market areas. Valuations came down for all sectors ex-Energy, with Consumer Discretionary exhibiting the sharpest downtick. In fact, Discretionary stocks saw the biggest one-month valuation contraction on record according to our composite model with Distributors and Auto Components seeing the biggest resets. Looking at the overall market, our S&P 500 valuation composite fell to its lowest level since October 2020 with the past month marking the biggest contraction since the pandemic onset back in March 2020.

Valuation Correction, Not a Market Correction

The S&P/TSX posted a modest 0.6% decline in January on a price return basis, meaningfully outperforming the S&P 500 and the NASDAQ, which were down 5.3% and 9% respectively. Indeed, January saw US stocks move into correction territory, while the more value areas, such as Canada, meaningfully outperformed. In fact, Technology was easily the worst-performing sector in Canada this month, declining 20%. When we exclude the Technology sector, the S&P/TSX would have gained a solid 1.6%. Yes, while January saw a rise in volatility and stock correlation, our work suggests the correction was concentrated in the higher valuation areas of the market and not the broader market which posted a positive return on average. Overall, bouts of volatility are not surprising, and we continue to believe price momentum will slow and remain choppy as the market transitions to more of an earnings-driven market through 2022

If you have any questions about this summary, or your investment portfolio, please call us.

Sincerely,

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BMO Capital Markets

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