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**BMO Nesbitt Burns**

## February 2021 Monthly Summary

We continue to hope that you and your family are well.

In this summary we provide a personal tax calendar for 2021 which identifies important dates and tax tips. As well, we include a summary of 2021 contribution limits for RSPs, TFSA's, and RESPs as well as a brief overview of the markets during the past month.

### Personal Tax Calendar 2021

Tax planning should be a year round activity in order to maximize the savings opportunities available to you. This [calendar](#) provides important tax deadlines and planning tips for you to consider throughout the year ahead.

### Contribution Limits 2021

This [summary](#) provides the contribution limits for all registered accounts for 2021

### Market Recap: Volatility Returns as 2021 Begins

Wall Street and Canadian stocks got off to a volatile start in 2021, as concerns about Covid-19 and the economy continued to reverberate. Stocks mounted an effective response in early February after U.S. Congress fast-tracked President Biden's \$1.9 trillion stimulus deal.<sup>1</sup>

### North American Stocks Decline in January

All of Wall Street's major indexes posted losses in the first month of 2021, with the Dow Jones Industrial Average, S&P 500 and Nasdaq Composite each falling by around 2%. The CBOE Volatility Index, commonly known as the VIX, spiked to a high near 38 in the final week of January. Typically, VIX readings above 20 signal volatile trading conditions over the next 30 days.

Canada's benchmark TSX Composite Index also ended the month with a loss, falling 1.8%.



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Despite a challenging start to the year, stocks rebounded sharply in February, with the S&P 500 and TSX returning to record highs.<sup>2</sup>

### **Congress Gives Final Approval to Biden’s Stimulus Plan**

Equity markets recovered in early February after Congress approved a budget plan that includes President Biden’s \$1.9 trillion stimulus proposal. The bill was passed on Feb. 6 by a 219-to-209 margin, setting the stage for final approvals by the end of the month.

House Speaker Nancy Pelosi issued the following statement:

“Our work to crush the coronavirus and deliver relief to the American people is urgent and of the highest priority.”<sup>3</sup>

The new stimulus deal includes \$1,400 in direct support to Americans impacted by government shutdown orders. As The New York Times reports, low- and middle-income Americans will be eligible to receive new stimulus relief.

### **Central Banks Maintain Pledge**

The Bank of Canada (BOC) voted to keep interest rates on hold in January, highlighting the ongoing recovery efforts from Covid-19. The official bank rate currently sits at an all-time low of 0.25%. In its Monetary Policy Report, the BOC forecast the economy to grow around 4% this year and close to 5% in 2022. However, the economy is likely to contract in the first quarter due to the lingering effects of government shutdown orders.<sup>4</sup>

In the United States, the Federal Reserve also voted to keep monetary policy on hold. The Fed maintained its target rate at 0.25% and kept the size of its monthly bond purchases steady at \$120 billion.

“Following a sharp rebound in economic activity last summer, the pace of the recovery has moderated in recent months, with the weakness concentrated in the sectors of the economy most adversely affected by the resurgence of the virus and by greater social distancing,” Fed Chairman Jerome Powell said following the Jan. 26-27 Federal Open Market Committee meeting.<sup>5</sup>

### **Looking Ahead**

Congress’ stimulus push will take centre stage in February, as policymakers try to mount an effective response to Covid-19. The U.S. labour market returned to growth in January, with 49,000 jobs added. In Canada, investors and the public will continue to monitor the pandemic for clues about when provincial governments could begin easing lockdown orders. The daily infection rate has declined substantially from the mid-January peak, according to the Public Health Agency of Canada.<sup>6</sup>



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

Sincerely,

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<sup>1</sup> The New York Times (Feb. 6, 2021). “House Puts \$1.9 Trillion Stimulus on Fast Track, With No G.O.P. Votes.”

<sup>2</sup> Reuters (Feb. 4, 2021). “CANADA STOCKS-TSX hits record high on energy boost; Canada Goose soars.”

<sup>3</sup> The New York Times (Feb. 6, 2021). “House Puts \$1.9 Trillion Stimulus on Fast Track, With No G.O.P. Votes.”

<sup>4</sup> Bank of Canada (January 20, 2021). “Bank of Canada will hold current level of policy rate until inflation objective is achieved, continues quantitative easing.”

<sup>5</sup> Jon Hilsenrath (January 27, 2021). “Fed Holds Policy Steady as Economy Stumbles.” The Wall Street Journal.

<sup>6</sup> CBC News. Tracking the coronavirus.