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BMO Nesbitt Burns

## March 2021 Monthly Summary

As winter wanes and the days become longer, we hope that you and your family remain well. Optimism springs eternal as the vaccine rollouts in Canada and around the world accelerates. We remain hopeful that much better days are ahead.

In this summary we provide tax tips for 2021 which, includes tax saving tips and ideas that you may implement now. Also included are a tax return 2020 checklist and a brief summary of the markets during February.

### Tax Tips for 2021

[Tax Tips for Investors](#), includes tax saving tips and ideas to help maximize your tax savings for 2021. Waiting until year-end to consider your tax planning options may limit your tax saving opportunities. As always, we recommend that you consult an independent tax professional to determine if any of these tips are appropriate for your particular situation.

### 2020 Tax Return Checklist

As the April 30 tax deadline approaches, [Completing Your 2020 Income Tax Return Checklist](#) includes reminders to help you prepare to file your return and maximize your tax savings. Use this Checklist to help ensure that you have all required tax documents before you prepare your return, otherwise you will be required to file an amendment.

### Tax Documents on Gateway

Want to get your investment account Tax documents easily from Gateway? View this brief [video](#).



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## February Market Recap

### Market Recap: Volatility Returns as U.S. Treasury Yields Rise for Sixth Straight Week

Volatility returned to North American equity markets through early March, as concerns about inflation and the health of the economy weighed on investors' sentiment. Those concerns were reflected in the bond market, as U.S. Treasury yields registered six consecutive weekly increases, highlighting a potential shift in risk sentiment.<sup>1</sup>

### North American Stocks Tumble into March

Following a mostly positive February, stock prices came under renewed selling pressure through early March. On Wall Street, the S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite Index recorded three consecutive declines through March 4. Meanwhile, Toronto's benchmark S&P/TSX Composite Index posted back-to-back drops on March 3 and 4.

The CBOE Volatility Index, commonly known as the VIX, briefly spiked above 30.00 on March 4, reaching its highest level in around five weeks.<sup>2</sup> The VIX trades on a scale of 1-100, with readings above 20 signifying higher than normal volatility. Based on current VIX readings, investors are expecting continued volatility over the next 30 days.

### Bond Yields Rise

The sharp decline in stocks has been accompanied by a steady appreciation in U.S. government bond yields, as investors started betting on rising inflation following the passing of President Biden's \$1.9 trillion stimulus bill. The yield on the benchmark 10-year U.S. Treasury is up over 60 basis points so far this year. The yield is currently at the highest level since March 2020.

Senate lawmakers passed the stimulus bill on March 6 through a budget reconciliation process, which allowed them to bypass any Republican opposition.<sup>3</sup> The new stimulus bill provides up to \$1,400 for Americans impacted by the Covid-19 pandemic and resulting shutdowns.

### Fed's Powell Says Inflation Likely Heading Higher

Investors' anxiety over inflation was partly attributed to recent comments from Federal Reserve Chairman Jerome Powell, who indicated that the economic recovery from Covid-19 would contribute to stronger inflationary forces over the near term.

"We expect that as the economy reopens and hopefully picks up, we will see inflation move up through base effects," Powell said during a Wall Street Journal conference, as quoted by CNBC. "That could create some upward pressure on prices."<sup>4</sup>

Contrary to expectations, Powell has yet to publicly address the recent surge in interest rates. The Fed is currently buying \$120 billion a month in Treasury bills and mortgage-backed securities as part of its stimulus pledge.

The Federal Reserve's next policy meeting is planned for March 16-17 in Washington.

## Looking Ahead

Despite the sharp pullback in equity values, markets remain well supported near all-time highs. The Nasdaq Composite Index narrowly avoided a technical correction, which is defined as a drop of 10% or more from its recent peak. Economic data and monetary policy will continue to drive headlines in March alongside national vaccine rollouts in Canada and the United States.

Daily new cases of Covid-19 appear to have moderated in both countries, raising optimism that the worst of the pandemic has passed. Latest data from Johns Hopkins University shows more than 117 million confirmed infections worldwide, with 29 million in the United States.<sup>5</sup>

Sincerely,

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<sup>1</sup> Ovunc Kutlu (March 9, 2021). "US stocks end mixed with volatility on rise again." Anadolu Agency.

<sup>2</sup> Mark DeCambre (March 4, 2021). "Wall Street's 'fear index' surges to highest level in about 5 weeks as Treasury-yield spike sparks stock-market selloff." MarketWatch

<sup>3</sup> Jacob Pramuk (March 6, 2021). "Senate passes \$1.9 trillion Covid relief bill, House Democrats plan final approval Tuesday." CNBC

<sup>4</sup> Jeff Cox (March 4, 2021). "Fed Chairman Powell says economic reopening could cause inflation to pick up temporarily." CNBC

<sup>5</sup> COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University (JHU).