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BMO Nesbitt Burns

## October 2021 Monthly Summary

2021 has been a challenging year for many Canadians. Despite the many difficulties, big and small, we all have so much to be thankful for. Our team wishes you and your family good health for this upcoming Thanksgiving weekend. It is a wonderful time to celebrate with family and friends, and a time to remember and to help those who are suffering, or less fortunate.

With the recent election and the ongoing uncertainty regarding Covid, this issue provides two interesting articles about possible income tax changes, as well as the importance of a wealth plan. We also provide a brief review of the markets during September.

### **Possible Income Tax Changes Following the Recent Federal Election**

Given the continued minority Liberal government resulting from the September 20, 2021 election, the article, [\*\*Possible Income Tax Changes Following the Recent Federal Election\*\*](#), reviews the Liberal election platform and takes into consideration possible future income tax changes.

### **Wealth Planning for Uncertain Times**

In times of uncertainty and market volatility, creating or updating a wealth plan can provide meaningful reassurance that your long-term financial goals remain achievable.

I've enclosed the article, [\*\*Wealth Planning for Uncertain Times\*\*](#), which emphasizes the importance of having a wealth plan and includes tips to help you stay focused on long-term financial goals.

### **Market summary for September 2021**

September certainly lived up to its moniker as the worst month of the year with the S&P 500 stumbling 4.8%, its first monthly decline since January, and the biggest loss since March 2020. During the month, US stocks also exhibited the first 5% pullback since last October, an occurrence many investors have been prognosticating after each down day in the market this year. For the first time in a while, the path of least resistance was lower for



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equities as a host of worries related to rising yields, supply chain pressures, inflation, legislative uncertainty, Fed tapering, and China's economy, seemed to dampen sentiment among investors.

### **Energy Outperformance**

Energy stocks topped returns among sectors in September, rallying 9.3% as crude oil soared to its highest price since 2014 amid improving demand and constrained supply.

### **Financials Outperform Amid Yield Uptick, but Other Price Catalysts Also Exist**

Financials ended September as the second -best performing sector, down only 2% compared to the 4.8% loss registered by the S&P 500, as the swift rise in the US 10Y Treasury yield during the latter part of the month helped lift relative price for the group, especially for Banks which gained 2.3%.

### **Cautious September, but Fundamentals Remain Strong**

September marked the first monthly decline for the TSX since the beginning of the year. In fact, every sector except Energy declined on the month, as fear of rising rates, supply chain issues and peak growth all weighed on performance.

### **The Canadian Value Proposition**

Thanks in big part to an earnings recovery that has even outpaced its neighbour to the south, Canadian equities are showing a record valuation divergence against the US. While there is no doubt that the sector weight differences have played a significant role in this divergence and will likely continue to do so. Energy remains a deep value sector in Canada especially relative to global energy peers. The Canadian Materials sector is now in discount territory given its heavy weight in gold, which has seen a sharp compression in valuations despite gold prices being relatively stable. Even outside these resource sectors, both Canadian Financials and Consumer Discretionary trade at relative discounts to their US peers despite showing similar growth profiles and having relatively strong US growth exposure.

As always, if you have any questions regarding this summary or your investment portfolio, please call us.



Sincerely,

[Ferrie Petruccelli Wealth Management Group](#)

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(1), (2), (3) BMO Capital Markets

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