

Back to the Future

Peter Finnegan, June 2021

March marked the one-year anniversary of the global Covid-19 pandemic and it was a good time to pause and take stock of how far we have come, and how much progress has been made. A year ago, the most optimistic of estimates for the development of a vaccine was 18 months. Today, vaccine rollouts are well underway and some economies are expected to reach herd immunity by late summer. Vaccinations remain the number one catalyst for moving forward, or you could say hopefully the path back to the way things were pre-pandemic.

In a similar way, markets also reflected hope in the first five months. Canada's main stock market index the S&P/TSX advanced 13.18% while in the U.S. the S&P 500 posted gains of 6.67% currency adjusted. One of the themes concerning investors was the prospect of long-term interest rates rising due to inflation as a result of an over-heated global economy. Last spring, we wondered how the world would survive, and a year later the main concern was that things would recover too far, too fast. Against this backdrop bank stocks which typically do well during the initial periods of rising rates posted solid gains while technology companies retreated.

Our Chief Economist Doug Porter has forecast economic growth of 6% for 2021 and 4.5% for 2022 and to date the Canadian economy appears to be on track to surpass the 2021 estimate¹. He also believes central banks around the world will do their best to keep rate increases on hold until after 2023.

The first 150 days of the year held plenty of excitement. Joe Biden and Kamala Harris were sworn in as the 46th and 49th President and Vice-President of the United States. There was a riot in the U.S. Capital building. Oil prices reached levels not seen since before the pandemic. Novice investors rallied together to upend traditional capitalism. Bitcoin reached new heights.

During times like these I am reminded of the importance of investing in quality companies in businesses we understand.

Our Chief Strategist has year-end targets of 20,500 on the TSX and 4,500 on the S&P 500, which suggest that he remains positive on equities, but gains may be muted from here until year end.

I would also point out that we are due for a 10% pullback as this is one of the markets most regular of irregularities.

Team Update

Jack Gilfillan and I have worked together sharing the same investment ideas and investment philosophy for the past 14 years. We are fortunate to be supported by Theresa Donovan and Kaitlin Delahunt here in Kingston and now Sharla VanVliet in Brockville on the service and administration side.

In planning for the future, we thought it was time to add an Associate Investment Advisor, who we could mentor to help us deliver investment advice. To this end David Walker joined us last May and has been learning our systems and processes. Dave is a graduate of Queen's University with a major in economics and has worked for the past several years in our industry in Toronto. We are glad to have him as part of our team and we enjoy working with him.

Over time we look forward to introducing him to you and hope you will see him as an extension of the service we provide. In adding Dave to our team we think we have built a plan to look after clients and their families for the next several decades.

Meet our team



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Sources

^{1,2} "That Was The Quarter That Was...Intriguing" Douglas Porter, Chief Economist, BMO Capital Markets, April 1, 2021

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