

MONTHLY COMMENTARY

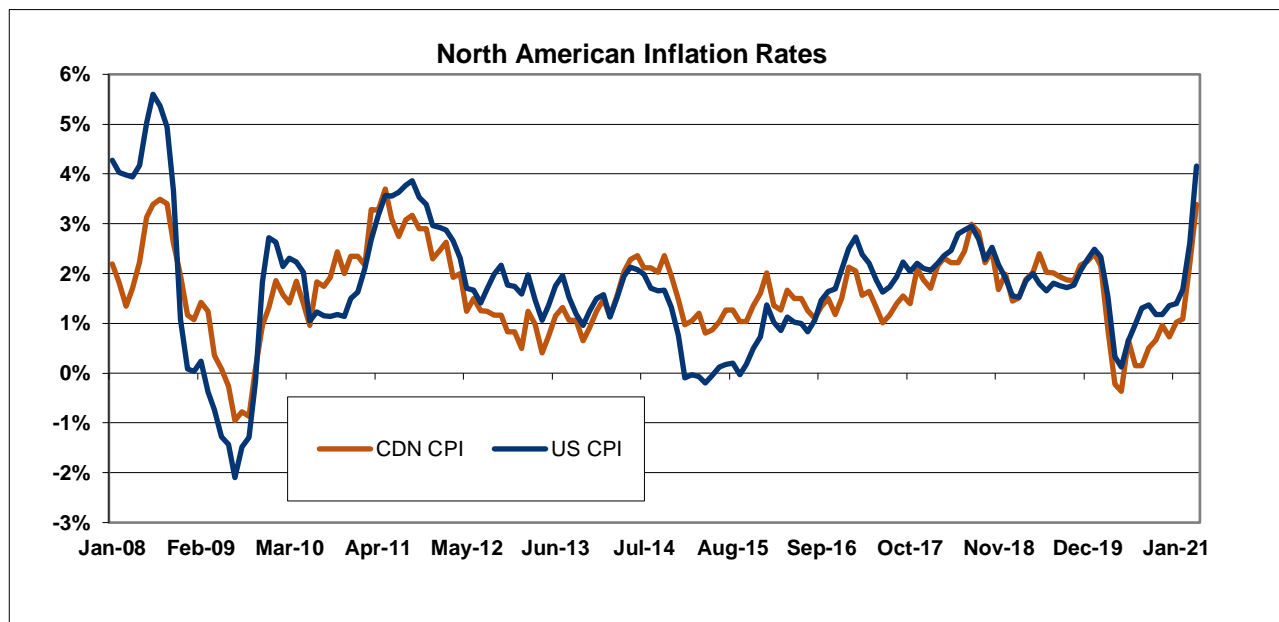
June 2021

Alfred Lam, MBA, CFA
Senior Vice-President & Chief Investment Officer
CI GAM | Multi-Asset Management

Richard J. Wylie, MA, CFA
Vice-President, Investment Strategy
CI Assante Wealth Management

Toshi K. Okada, B.MOS
Analyst, Investment Strategy
CI Assante Wealth Management

North American inflation spikes higher



Source: Statistics Canada; U.S. Bureau of Labor Statistics.

MARKET FOCUS

Economies reopen, inflation builds

The U.S. Bureau of Labor Statistics reported that its Consumer Price Index (CPI) rose 0.8% (seasonally adjusted) in April, the largest single-month advance since June 2009. The overall index increased by 4.2% (unadjusted) over the 12 months to April 2021 — the fastest pace since September 2008 (4.9%). These figures point to significantly higher inflationary pressures within

the U.S. economy. Despite Fed commentary on “transitory” inflation figures and an “aim to achieve inflation moderately above 2% for some time,” the market has become increasingly concerned that administered interest rates may rise earlier than previously anticipated. As outlined in the above graph, the Canadian economy has also seen a material increase in price pressures on the consumer front. Statistics Canada reported that consumer

prices rose 0.6% (seasonally adjusted) in April. On a year-over-year basis, the CPI was up 3.4%, accelerating from the 2.2% pace seen in March and the 1.1% rate reported in February. This is now the highest rate of inflation since May 2011 (3.7%). More importantly for the markets, two of the three Bank of Canada core inflation measures show inflation above their 2.0% target. CPI common, which the central bank says is most closely correlated with the output gap, rose and now stands at 2.3%. Once again, while this is not an alarming increase, it does raise a question as to when Bank of Canada policy will change.

Canadian housing market

Updated figures from Statistics Canada revealed a 1.9% advance in its New Housing Price Index during April 2021. The monthly advance was sufficient to drive annual growth to 9.9% — the fastest pace since February 2007 (10.0%). Further, even though housing starts fell to 268,631 units (annualized) in April, it was the eleventh consecutive monthly reading above 200,000. As well, the April decline came on the heels of the 334,759 March figure, a record for the data series which dates back to 1990. Looking forward, Canadian residential building permits surged 15.9% in March 2021. This pushed annual growth to 69.8%, a record for this data series which dates back to 2011. Concerns of an over-heated Canadian housing market regularly make headlines and the Bank of Canada can be expected to feel additional pressure to cool it off with higher interest rates.

Australian market notches first record high in 15 months

Australia marked another feat in its recovery from the coronavirus pandemic as its benchmark stock index achieved a new record high. On May 10, 2021, the S&P/ASX 200 Index rose to 7,172.8, breaching its previous

high of 7,162.5 set on February 20, 2020. The milestone reflects the enduring rally in Australian equities that began on March 24, 2020, after the benchmark closed out the prior trading day at 4,546.0. Australia's ability to erase the coronavirus coupled with record-low interest rates has made equities that much more attractive. Additionally, overseas demand for metals and other commodities has served to bolster demand for Australian equities. China's investment in domestic infrastructure has pushed the prices of iron ore, Australia's largest export, to over US\$200 per metric ton for the first time on record. Despite its rise above pre-pandemic levels, the Australian stock market has been left in a fragile position. Any sudden downward shifts in commodity prices due to trade disputes, particularly with China, or softening global demand, will put downward pressure on the benchmark index.

LONGER VIEW

Markets are searching for any certainty around the potential fallout from the spread of COVID-19. With economic activity shut down around the globe, central banks and governments are doing "whatever it takes" to keep the economic system functioning. Central banks have responded by cutting interest rates, creating programs to keep credit flowing and increasing the size of their asset purchasing programs, which effectively means printing money to buy assets. On the fiscal side, governments are expected to provide "helicopter money" to individuals who have been forced out of work. While we are not sure of the exact timeline, we are confident that this period of stress will eventually pass and investors with long-term horizons have an excellent opportunity to purchase stocks at bargain prices.

THE PLAYBOOK



For more information, we encourage you to speak to your advisor or visit us at [assante.com](https://www.assante.com)

The information contained herein consists of general economic information and/or information as to the historical performance of securities, is provided solely for informational and educational purposes and is not to be construed as advice in respect of securities or as to the investing in or the buying or selling of securities, whether expressed or implied. These statements reflect what CI Assante Wealth Management (“Assante”) and the authors believe and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. Neither Assante nor its affiliates, or their respective officers, directors, employees or advisors are responsible in any way for any damages or losses of any kind whatsoever in respect of the use of this document or the material herein. CI Assante Wealth Management is a registered business name of Assante Wealth Management (Canada) Ltd. CI GAM | Multi-Asset Management is a division of CI Global Asset Management. CI Global Asset Management is a registered business name of CI Investments Inc. This document may not be reproduced, in whole or in part, in any manner whatsoever, without the prior written permission of Assante. ©2021 CI Assante Wealth Management. All rights reserved.