MONTHLY COMMENTARY

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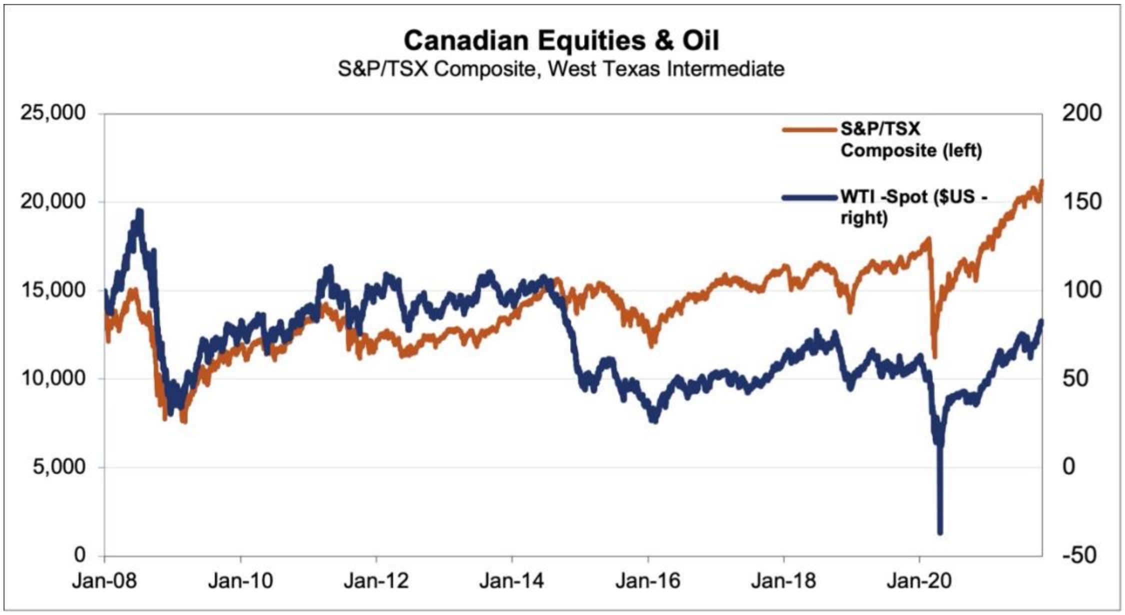
Alfred Lam, MBA, CFA
Senior Vice-President & Chief Investment Officer
CI GAM | Multi-Asset Management

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

Canadian Equities



Source: Commodity Systems Inc.; U.S. Energy Information Agency.

MARKET FOCUS

Domestic index hits record high

Energy price gains have fueled equity investors' interest in Canada. Stock buyers continued to support market optimism, as the S&P TSX Composite rose to a new all-time high in mid-October. The index closed trading on October 20, 2021 at the 21,188 level, a new record that marked a 21.5% gain since the end of 2020. A cold snap in Europe that coincided with prolonged low-wind speeds left electricity providers scrambling for more conventional energy sources. In late September, coal prices moved to US$200 per metric ton, their highest point since 2008. Similarly, spot prices for West Texas Intermediate breached the US$82 level on October 15, 2021. This was the first move above US$82 since October 29, 2014. With Canada variously ranked as either #2 or #3 in established oil reserves, buyers have been supportive as concerns spread that Europe's energy crunch may be longer lived than initially anticipated. Heavy commodity buying, coupled with diminished worldwide investment in new energy projects

during recent years, has also helped boost the Canadian dollar. The loonie, which had moved as low as US$0.7723 on August 20, 2021, broke back above US$0.8125 on October 20, 2021. It remains to be seen how the weather during the northern hemisphere's looming winter influences energy demand and how this demand is reflected in the market.

North American inflation remains stubbornly high

The U.S. Bureau of Labour Statistics reported that the consumer price index rose again in September 2021, climbing 0.4% (seasonally adjusted). The monthly gain was sufficient to return the annual pace of inflation to 5.4% (unadjusted), matching the 13-year high reported for July 2021. This was the fifth consecutive monthly reading above the 5% level, the longest stretch of sustained 5% inflation since the August 1990 to February 1991 period (seven consecutive months). Domestically, Statistics Canada reported that consumer prices rose an identical 0.4% (seasonally adjusted) in September 2021, matching the gain for August 2021. However, on a year-over-year basis, the Canadian CPI was up 4.3%. This is still the fastest pace of inflation in Canada since February 2003 (4.7%). Both the data in Canada and the U.S. suggest that some stabilization of inflationary pressures within North American economies may be taking place. Nevertheless, they appear to be stabilizing at elevated levels. Although some factors may be transitory as both central banks have indicated, markets will be concerned with where inflation settles once these transitory factors finally dissipate.

China's economy falters on property crisis, energy crunch

The National Bureau of Statistics revealed that China's economy grew 4.9% in the third quarter of 2021 from a year earlier, down from the 7.9% clip recorded in the second quarter. While growth was expected to trend lower in the second half of 2021, given the higher base of comparison from a year ago, the advance was the slowest since the third quarter of 2020 and almost a full percentage-point below what was recorded in the last three months of 2019. The slowdown reflected a series of headwinds but was largely a result of the deepening property crisis and an attempt by Beijing to curb lending to the real estate sector. In addition, widespread power outages, caused in part by shortages of coal and soaring commodity prices, sent factory output to levels not seen since March 2020. Prior to the shock of the pandemic last year, China's economy expanded 6.1% in 2019, the slowest growth rate since 1990. Policymakers in Beijing have now set a more conservative full-year GDP target of 6% for 2021 for the world's second-largest economy.

LONGER VIEW

We anticipate monetary policies to be accommodating for the foreseeable future. As a result, stocks will be favoured by investors as there are lack of alternatives for inflation protection. Stock valuations will be higher than normal; consider we are not in normal periods with high earnings growth, very low interest rates and growing money supply, investors need to accept or miss out.

For more information, we encourage you to speak to your advisor or visit us at assante.com