October 2021

A raft of risk-related news temporarily halted the global economy's post-pandemic march in September.

Here's a summary of the notable events during this past month that steered the markets:

COVID-19 and market developments

- U.S., Canadian and global stocks dipped over concern about inflation, the U.S. debt ceiling, the Evergrande crisis in China and speculation on when the Fed's bond taper would begin.
- Bond markets and U.S. treasury yields steadied on reassuring comments from the Fed. The treasury yield curve flattened as yields on all but the longest-term US government bonds rose.
- Closer to home, CI Global Asset Management launched a suite of five new CI Beta ETFs and added three new Alpha ETFs. We also introduced the CI Global Climate Leaders mutual fund and ETF.
- In foreign exchange markets, the Canadian dollar appreciated against the U.S. dollar and other G10 currencies on rising oil prices and the Canadian federal election outcome. Oil prices surged following the threat of Hurricane Nicholas in the U.S. gulf and the fear Evergrande might default on its debt.
- September also witnessed an historic monetary development as El Salvador became the first nation to adopt bitcoin, the most popular cryptocurrency, as legal tender.
- Due to concern about the COVID-19 delta variant, Ontario's provincial government introduced vaccine passports to enter restaurants, sporting events, gyms and other "non-essential services".
- The Fed indicated it would begin winding down its US$120 billion monthly government bond buying stimulus by year end. U.S. inflation, although cooling, rose 5.3% on the same period last year, driven by COVID-19 infections impacting economic growth and related shortages of labour and supplies affecting prices. The Fed reiterated it saw no immediate need to raise rates as this recent inflation spike was temporary. However, it signaled rates might start going up by late 2022.
- The Bank of Canada held interest rates at 0.25% saying it expects the economy to strengthen but warned supply chain bottlenecks and rising COVID-19 cases could slow the pace of the recovery. The bank continued scaling back its bond purchases to about C$2 billion per week. Canadian inflation rose 4.1%, the highest since 2003. The bank has regularly stated it would intervene should inflation come in persistently above its 2% target but noted the current bout of inflation was likely transitory.

How does this affect my investments?

The accommodative monetary policies of major central banks are beginning to be pared back so it's natural we might experience some volatility as market conditions shift. The pace of growth will likely be slower, but this is understandable as we are coming off a record breaking 12 months of performance. Overall, the outlook remains positive driven by strong economic fundamentals and corporate earnings.

Regardless of where we are in the market cycle, it's important to take a disciplined approach to investing and stay focused on your long-term financial goals. We recommend you maintain a diversified mix of asset classes in your portfolio to maximize potential returns and minimize risk. Regularly reviewing and rebalancing your portfolio also helps you remain on track.

We are here to support you in achieving your financial goals. Please do not hesitate to contact us.

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