CI ASSANTE WEALTH MANAGEMENT

CorePlan FINANCIAL INC.

The fourth quarter started well for investors, with Canadian and U.S. stocks up over 10% in the first two months and bond prices rebounding, but the rally faded in December and the year ended disappointingly.

COVID-19 and market developments

- Despite a few good trading days, Canadian, U.S. and global equities dipped through December, dashing hopes for a positive close to Q4 and ending 2022 down about 9%, 19% and 17% respectively.
- After falling from mid November into early December on better inflation news, U.S. and Canadian bond yields rose slightly towards month end on forecasts for an economic slowdown in 2023.
- There were some positive economic indicators. U.S. and Canadian house prices continued to drop, the job market held steady and a CEO of a large shipping company said supply chains are back to normal.
- Oil prices ended December with mild gains on optimism China is reopening and less Russian oil might come to market. For the quarter, oil was virtually unchanged and for the year up about 7%.
- The loonie fell versus the greenback, but not as much as other major currencies. The US dollar, seen as a buffer against rate hikes, had posted its best year since 2015 by the last trading day of December.
- The Bank of Japan softened its long-term near-zero interest rate policy, letting the 10 year government bond rate rise from 0.25% to 0.5%, making it the last major central bank to hike rates.
- In response to new COVID-19 cases in China, the Canadian government announced starting January, travellers from China are required to have a negative COVID-19 test before flying to Canada.
- U.S. inflation slowed to 7.1%, down from 7.7% the previous month and an annual peak of 9.1% during the summer. This was the fifth straight month inflation had fallen, driven by less expensive gasoline, electricity, used cars and air travel. The Fed reacted with a smaller 0.5% rate raise after four 0.75% hikes in a row, and stated more hikes are still appropriate to return inflation to its 2% target.
- In Canada, inflation eased 0.1% to 6.8%, from 6.9% the previous month. In its CPI report, Statistics Canada said lower gasoline prices were partially offset by climbing mortgage, rental and food costs. The Bank of Canada increased its benchmark rate 0.50% to 4.25%. Bank governor Macklem noted it will take time for higher rates to bring inflation under control, but monetary policy is starting to work

How does this affect my investments?
As difficult as 2022 has been with rate hikes, high inflation and market swings, the worst is now probably behind us and the conditions created for a much more compelling investing environment going forward. Central bank policy, which operates with a lag, is likely to weigh on the economy into 2023, but equity valuations have normalized and the potential returns of several asset classes offer attractive opportunities. Corporate earnings in general have also remained resilient and supply chains are finally moving again.

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 goals. This strategy helps you keep your emotions out of investing, typically buying high and selling low like many investors do. Ongoing monitoring and reviewing of your portfolio also ensures it remains on track. Diversifying investments reduces risk as well.

We are here to support you in achieving your financial goals. Please do not hesitate to contact us, 250-785-9603.

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