July 2021

The global economy continued to recover in helped by the rollout of COVID-19 vaccines, U.S. fiscal stimulus programs and supportive monetary policies from the Fed and other major central banks.

Here are a few updates on this past month's notable market-related events.

COVID-19 and market developments

- U.S., Canadian and global markets rallied despite inflation, cryptocurrency volatility and higher COVID-19 cases in several Asian countries after the Fed reiterated its accommodative monetary stance.
- Equities climbed on increasing economic optimism and news President Biden would propose a US$6 trillion federal budget for the 2022 fiscal year. U.S. Treasuries, government bonds and investment-grade corporate bonds also recorded positive returns.
- India continued to struggle with its aggressive COVID-19 variant. At its peak, cases exceeded 400,000, but by the end of the June cases had begun to decline.
- The G7 congregated for the first time since the pandemic, in Cornwall, U.K. At the summit they agreed to a 15% global minimum corporate tax rate. If implemented, this will increase taxes on multinational corporations.
- The Fed left U.S. interest rates in the 0 to 0.25 % range and said it would continue buying Treasuries and mortgage-backed securities to stimulate borrowing and spending. The Fed did raise its forecast for inflation though, to 3.4% by the end of this year. As a result, the Fed signaled it may act sooner to start hiking rates – possibly twice by late 2023.
- The Bank of Canada also held interest rates at 0.25% saying it expects the economy to rebound this summer. The bank added this would be led by consumer spending as vaccinations continue and provincial governments ease restrictions. The bank reiterated it was ready to raise rates should inflation come in persistently above its 2% inflation target. However, it noted recent higher inflation was likely temporary, mainly driven by rebounding gasoline prices and calculations based on last year's depressed levels.

How does this affect my investments?

The global economy should see an acceleration of the reopening of trade through the summer months. This will be fuelled by elevated household savings, continued fiscal and monetary support and the ripple effect from strong housing and equity markets.

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, (250) 785-9603.

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