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CHARTBOOK
Market Comment

Prepared by OceanFront Investment Counsel Inc.

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Market Comment

In November, the Federal Reserve announced it would begin reducing its asset purchases ("tapering"), which follows similar comments from the Bank of Canada in October. This is the first step that central banks typically take when reducing their quantitative easing programs, which provide support and liquidity for markets, historically leading to future interest rate hikes.

Federal Reserve Chair Jerome Powell also commented on the current high inflation environment, saying that the bank still expects inflation to move down significantly over the next year but that "factors pushing inflation upward will linger well into next year." He noted that the economic recovery is still dependent on containment of the pandemic and that rising cases and the emergence of new variants pose significant risks.

OSFI announced that restrictions on dividend increases and share buybacks for banks will be lifted effective November 4th. These restrictions have been in place since the beginning of the pandemic, which led to these institutions accumulating excess capital. An analysis from RBC Capital Markets projects the Big 6 Canadian banks to hike dividends by ~18% on average over the coming quarters, and ~2% in buybacks.

Tapering

With the US Fed announcing its intent to begin tapering asset purchases, it's helpful to look at the last time they went through the same process, which was in 2014 during the Global Financial Crisis recovery. The market climbed for several months following the first mention of tapering in mid-2013, before running into volatility in 2015 through 2016.

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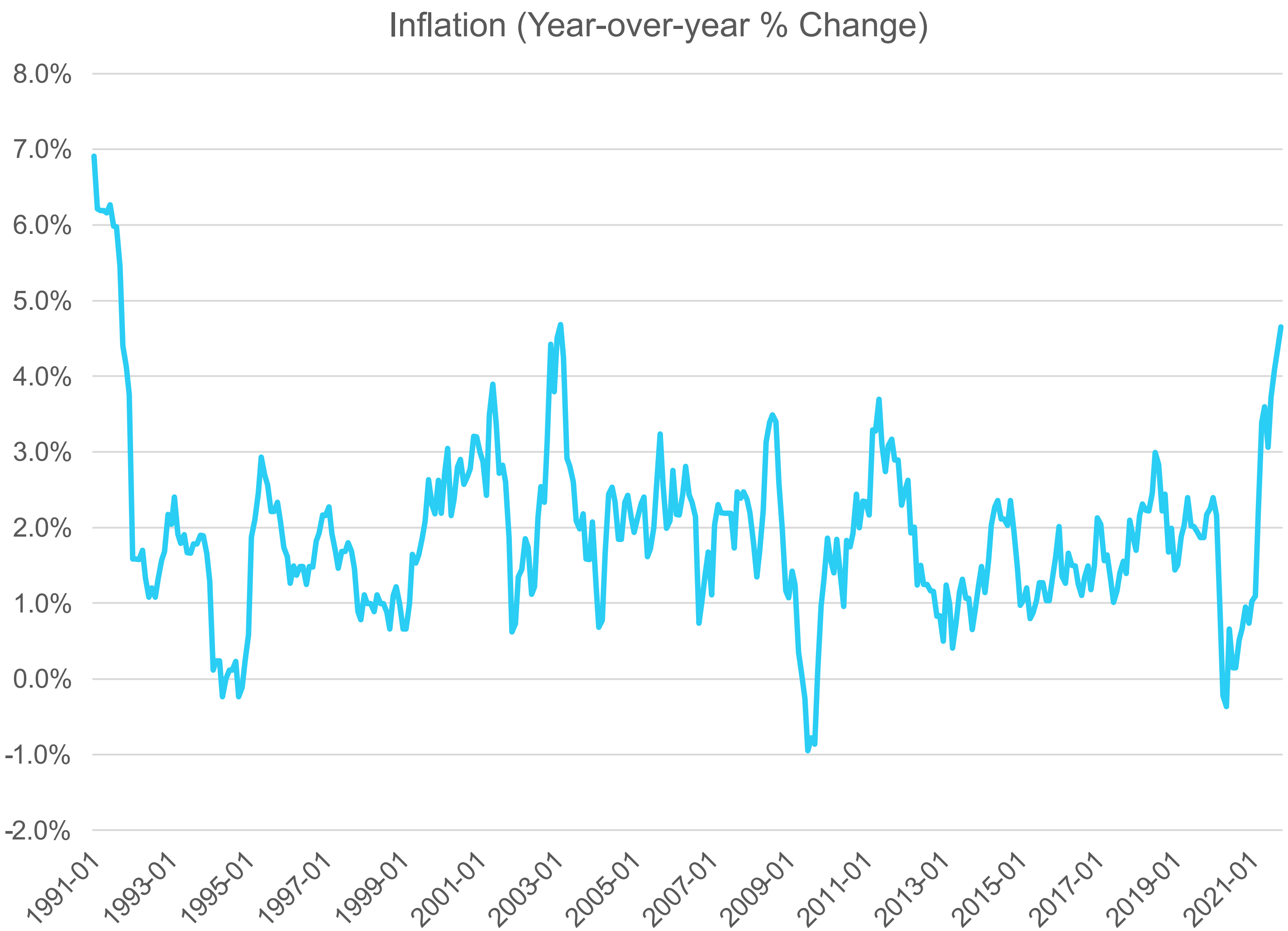

Inflation

Inflation continues to be a main discussion point, with goods and everyday expenses continuing to increase in many parts of the world.

In Canada, October's data shows a 4.7% increase from a year ago, the highest rate of inflation since 2003.

 Source: Statistics Canada, OceanFront Investment Counsel Inc.

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Index Returns

Despite dips last week, both the Canadian (TSX) and US (S&P500) indexes are up over 20% year-to-date.

 Source: Stockcharts.com, OceanFront Investment Counsel Inc.

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Greater Than 20% Years Are A Good Sign For The Next Year

S&P 500 Index Returns After Big Yearly Returns

	S&P 500 Return	
Year	Return	Next Year Return
1950	21.7%	16.3%
1954	45.0%	26.4%
1955	26.4%	2.6%
1958	38.1%	8.5%
1961	23.1%	-11.8%
1967	20.1%	7.7%
1975	31.5%	19.1%
1980	25.8%	-9.7%
1985	26.3%	14.6%
1989	27.3%	-6.6%
1991	26.3%	4.5%
1995	34.1%	20.3%
1996	20.3%	31.0%
1997	31.0%	26.7%
1998	26.7%	19.5%
2003	26.4%	9.0%
2009	23.5%	12.8%
2013	29.6%	11.4%
2019	28.9%	16.3%
2021	?	?
Average		11.5%
Median		12.8%
% Positive		84.2%
Average Year (1950 - 2020)		9.2%
Median		11.8%
% Positive		71.8%

Source: LPL Research, FactSet 11/15/21

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

S&P500 Returns Following Big Years

Historically, strong returns tend to lead to a continuation of positive returns.

In this example, annual S&P500 returns of 20% or greater have led to positive returns the following year 16 of 19 times dating back to 1950.

The S&P500 is up 23.9% year-to-date as of November 29th, 2021.

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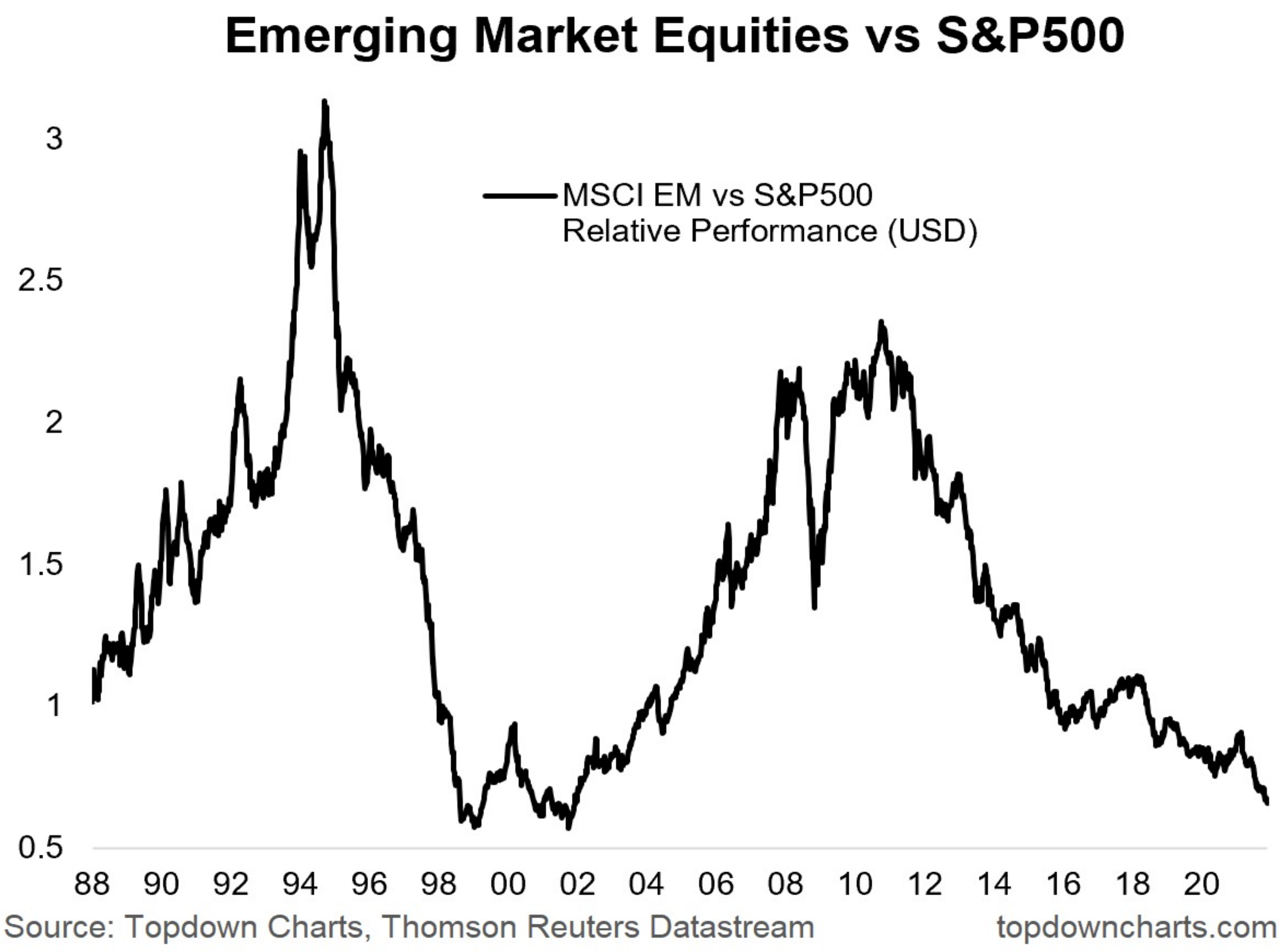
An area of underperformance in the global market this year has been emerging market equities, which include stocks of Chinese, Taiwanese, South Korean and Indian companies, among others.

The iShares MSCI Emerging Markets ETF is down almost 5% year-to-date (as of Nov. 29th, 2021). On a relative basis, performance of emerging market equity is at its lowest point compared to the S&P500 dating back almost 20 years, which preceded a period of strong outperformance of emerging markets.



Volatility Index

Reports of new COVID-19 variants rattled markets on Friday, November 26th, and volatility returned after a relatively quiet period.

Indexes worldwide fell sharply on the news

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Oil Prices

The energy sector was one of the areas most affected by the new COVID-19 variant fears due to concerns that oil demand could fall as a result of potential new restrictions and lockdowns.

The price of oil fell below USD$70/barrel for the first time since September.

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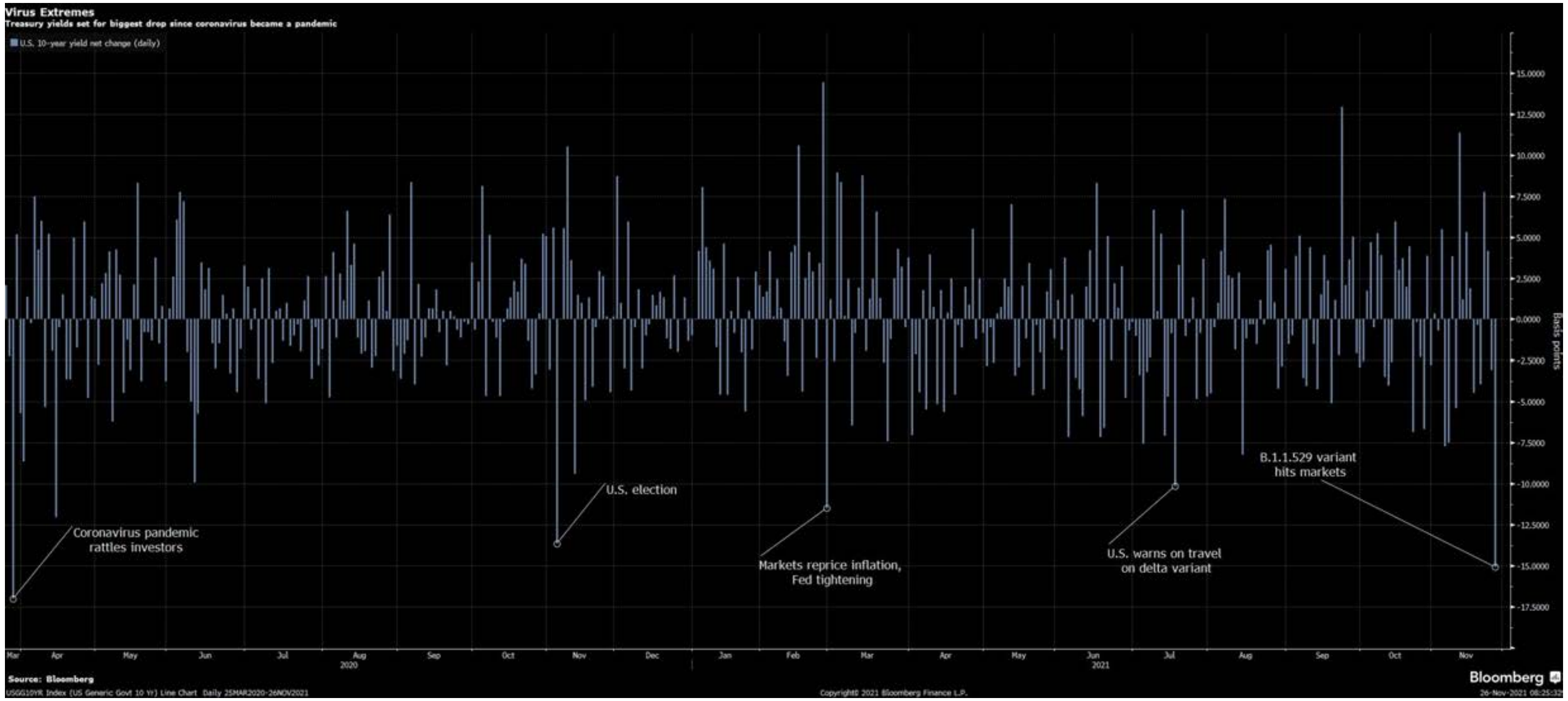
Bond Yields



Also on Friday, November 26th 2021, variant fears drove the yield on the US 10-year Treasury down 0.15%, its biggest one-day drop since March 2020.

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E&OE

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