Wealth Management
Dominion Securities

Ravinsky Wealth Management Group

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Recent Posts

The Fed's got another bond market conundrum on its hands
Why are longer-term Treasury yields remaining below both current and expected future inflation?

The omicron variant: A heavy dose of uncertainty
Many questions surround the newest COVID-19 variant, but if history is any indication, its market effect may not be one of them.

Global equity markets have been able to shrug off some of the uncertainties posed by the discovery of the new omicron variant a few weeks ago and are once again trading near their highs for the year. The renewed strength comes amidst reports that the variant may be more transmissible but cause less severe illness. This has reassured investors that the risk posed to the global economy may be small. Below, we offer some thoughts on the year ahead, which we believe has the potential to deliver another good, albeit less spectacular, year of gains for investors.

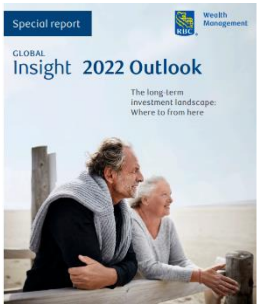
Our underlying view for 2022 is that it will be a year marked by some moderation in trends. Rising levels of vaccinations and natural immunity, combined with less morbidity from variants that are likely to remain in circulation, should gradually lead to a more normal environment. We expect some reversion in some of the most influential factors that typically drive equity returns: inflation, growth, and central bank support.

Inflation has been on the rise all year. It is calculated as a year over year price change figure, and the 2021 readings have compared prices to the year ago period, when the effects of the pandemic were most severe. As we move through 2022, price levels will be compared to levels from this past year, and thus inflation readings over time should recede to some extent. Meanwhile, the exceptional demand for goods should eventually shift back towards services as conditions normalize. Overall, these factors should lead to some moderation of inflation in pockets of the economy.

While 2021 is not yet complete, major economies saw growth near the mid-single digits this past year. That's a relatively big figure, particularly for the developed world, and meaningfully higher than the low single digits seen prior to the pandemic. Meanwhile, earnings growth from companies around the world was abnormally high. Much of the strength was the result of the rebound following last year's declines and a reversion back to more normal levels only makes sense. But, growth next year still has the potential to be above average. Economies have yet to fully reopen in a harmonized way, production has been limited due to supply chain issues, inventories remain historically low, and households have high savings and may be eager to spend. All this suggests that growth will look more normal, but has the potential to remain robust.

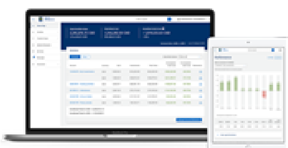
Central banks have started to unwind some of the stimulus provided to economies over the past two years. Over the next week, the Bank of England and U.S. Federal Reserve are expected to provide policy decisions. Regardless of the outcome, the future direction is clear: less stimulus and tighter monetary policy in the year ahead. While this may create some volatility as investors digest the implications, we believe it will take time and several interest rate increases before credit conditions become more restrictive and present a headwind to economic growth. That is more likely a risk for 2023 or 2024 rather than next year.

Special Report



Overall, we expect the backdrop in 2022 to be characterized by healthy economic and earnings growth, modestly lower inflation, and an interest rate environment that will remain favourable for consumers and businesses. That should be supportive for equity markets. As always, there will be risks, both known and unknown, that investors will have to grapple with. Moreover, stock market valuations are on the more expensive side of history. That does not necessarily imply there's an imminent risk to equities. But, it does suggest investors should manage their expectations, prepare for more moderate levels of returns over the foreseeable future, and ensure they have well diversified portfolios that are not overly exposed to any one particular sector.

As the year winds down to a close, we would like to wish you and your loved ones a safe and happy holiday season. We look forward to 2022, and plan to continue sharing our thoughts and perspectives in what should be another interesting year for investors.



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David Ravinsky

Alex Tsapekis

Jo-Anne Mackenzie

We're here to help!

We're committed to keeping you informed about the progress you are making towards your financial goals. Our team is always available to answer your questions, provide advice or review your portfolio.

Please feel free to reach out to us any time.

Sincerely,

The Ravinsky Wealth Management Group

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