



## Thoughts from Home

*"We have always held to the hope, the belief, the conviction that there is a better life, a better world, beyond the horizon."*

-Franklin D. Roosevelt

If Roosevelt had been President during the pandemic, he might have said the same thing and been proven right again. The news of three Covid-19 vaccines passing final clinical trials renewed investor optimism and sent markets substantially higher. Given this positive development and other headlines, here is what we are watching:

1) Optimism has returned to the stock market in a big way as markets surged and volatility dropped remarkably. For the month, the Dow was up 11.8%, the S&P 500 up 10.8% and the TSX up 10.3%. December will likely be bumpy but generally higher as year-end gain/loss tax planning and any virus worries should be more than offset by investors moving cash from the sidelines into the market prior to year-end.

2) Covid-19 vaccines may be on the way but the battle hasn't been won yet, with U.S. cases hitting new highs. Any delays in delivery or efficacy problems could lead to further market volatility. As of yesterday, 14,144,216 Americans tested positive for Covid and 8,353,592 have recovered. A key trigger we are watching is how quickly the daily case count declines once vaccines are in the field. The sharper the new case decline post vaccine, the quicker the global economy will recover.

3) Underlying economic trends seem to be pointing to a rapid, if bumpy, recovery. Mortgage applications for home purchases and auto sales are at all-time highs. In the U.S., 35% of companies have upward earnings revisions. Market breadth has improved dramatically as more companies are participating in the rally. Also, Canadian banks earnings have all surprised on the upside as actual write offs were no where near what was feared earlier in the pandemic. Overall, the outlook for equities remains very positive.

4) As is tradition at this time of year, we look forward to imagine what the year ahead will look like for investments. The underlying conditions look very favourable, with the promise of a recovery from Covid through vaccines, strong and improving corporate earnings, low interest rates and inflation and an ultra accommodative U.S. Federal Reserve. For a comprehensive discussion on these and other investment topics, please refer to the “Global Insight Outlook 2021” linked below.

With these thoughts in mind, here are the actions we are taking:

1) We remain fully invested in equities with a continued focus on North America, where we believe full economic recovery will be fastest. Growth focus will remain in US technology while we continue to accumulate dividend income through our value investments to help balance short term volatility and to meet cash needs.

2) We continue to monitor the Covid situation and are looking to further diversify our model based on how quickly the case count declines. The faster the world recovers from Covid, the more opportunities for investment will present themselves.

3) As the overall economy improves, we expect corporate earnings to continue to improve at a similar rate. Expectations will rise as conditions improve so we will position the portfolios to include companies that are meeting or exceeding the market’s rising price targets and dividend expectations.

4) Covid-19 was a substantial stress test for the world economy and stock markets and both proved to be quite resilient. The coming year will present challenges but the background conditions for a successful 2021 appear to be in place.

2020 has been a year of profound challenge for all of us. Looking beyond the horizon to 2021, we see a lot of reasons for hope and optimism, both for investments and us, as individuals and a community. We wish everyone a happy and healthy holiday season and all the best for a successful 2021!

As always, questions, comments, and feedback are always appreciated.

Yours truly,

Trevor, Walter and the Cooper Wealth Management team



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# Global Insight 2021 Outlook

RBC Wealth Management has launched the Global Insight 2021 Outlook, which showcases unique perspectives on issues and opportunities that could define the year ahead.

You can enjoy the complete report in PDF format here: [2021 Outlook](#)

**Or, you can read each article separately by clicking on the mobile-friendly links below.**

**[The shape of things to come](#)**: As economies regain their pre-pandemic peaks and corporate earnings recover further, we expect equities could provide attractive all-in returns in 2021, and probably for 2022 as well.

**[The debt dilemma](#)**: Governments are awash in debt, and there are no signs borrowing will let up anytime soon. Is more debt sustainable, and what are the risks for economies and taxpayers?

**[Inflation: To be, or not to be?](#)**: With the U.S. economy still in the process of reopening, where is inflation going from here and what can investors watch to gauge how price pressures may be building?

**[Fixed income: Not dead, just different](#)**: What worked in the past may not work in the future. We suggest splitting the roles of capital preservation and income generation in fixed income portfolios.

**[2021 investment stance](#)**: Ultralow interest rates should make equities the asset class of choice in 2021 while making fixed income more challenging. We provide our thoughts about portfolio positioning for 2021 by asset class and region, and our forecasts for currencies and commodities.



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