TIME TO GET OFF THE TEETER-TOTTER

Some 13 months ago, the 12th of April, 2020 to be exact, I pondered in my weekly email to you that the equity markets were like a teeter-totter:

*"**On one side** is the ongoing fallout from Covid19: the economic destruction from the global shutdown, and the cost to businesses, individuals' and governments' coffers. **On the other side** is the potential positive effects of central banks globally doing everything possible through monetary and fiscal policy to alleviate the damage. Also on this side are drug companies and governments working together in a focused effort to find anti-viral drugs and vaccines to bring this pandemic under control as soon as possible.*

And right in the middle of the see-saw are the financial markets, and depending on the news of the day, <u>sliding to one side or the other.</u>"

In the same article, I gave my views on how it may all play out in the months ahead and my belief that equity markets may well have seen their worst. In hindsight, events turned out very much as I forecast although I, and no one else, predicted the financial intervention by governments would end up being on such a massive scale. Lots of spending money everywhere, now add the rapid development and deployment of vaccines, and it's no wonder stock markets made a huge recovery through 2020.

Today as vaccinations are increasing exponentially throughout most of the world and new Covid-19 cases fall dramatically (sadly not everywhere as yet), it is obvious that the impact of the pandemic, from an economic point of view, is on the wane. **Going forward it will be back to the traditional forces that govern the actions of financial markets or, to be more precise, govern the actions of investors in their buy-sell decisions: economic output, profits, inflation, interest rates and so on. Then, as always on top of it all, how much of these factors, and other good news, is already "built-in" to the current price of any particular investment?**

As we move into summer, the current focus seems be on inflation and how soon the US Federal Reserve Board may begin raising rates and reduce their economic stimulus packages. Meanwhile, the selling of last year's ***Work From Home*** favorites continues to weigh on their share prices. Last but not least, even though many companies continue to report earnings substantially higher than analysts' forecasts, the share price falls on the news – that above mentioned "built-in" factor.

For the week, a mixed bag:

Higher: most currencies vs. the US dollar, along with gold and silver. On the Equity side, Hong Kong led with a 1.54% gain and it was mainly foreign markets that were up: Italy, Spain, Mexico along with our TSX up 0.83% plus a very modest rally in the beaten up technology-heavy Nasdaq.

Losers: commodities – all the grains along with oil down 2¾% along with copper falling 3.65%. All had seen recent large gains on inflation concerns. Equities: The Dow Jones Index and virtually every sector of the S&P500 were lower, the exceptions being technology, consumers staples and the standout - health care, which had a jump of 3/4% for the week.

Bottom line: I expect more of the so-called "choppy action" in the weeks ahead, but then higher prices before year-end in most – I stress most – of the stock market sectors.