

Equity selloff: Something other than “something worse”

RBC Wealth Management's Global Portfolio Advisory Committee discusses the recent stock market selloff and the implications for investors.

With the economy downshifting to a more sedate pace of expansion and ongoing inflation risks, it's no surprise markets are on edge. But in the absence of convincing signals that a recession is in the offing, we regard the pullback as something that should be endured on the way to further worthwhile market gains as the expansion should play out for several more years. The following timely two page article (+ disclaimers) from our Global Portfolio Advisory Committee supports our positive stance. You can open the article using the below hyperlink.

Client-approved Market brief

Our investment team believes 2022 will be a year where we 'get back to normal'. In practical terms, this signifies that (1) it would be normal to see interest rates rise - given that they were pushed to very low levels as part of the strategy by central banks to support the economy during the pandemic, and (2) aggressive investments will not do as well – given the increase in rates, the feeling that the 'easy money' has already been made, and a possible lower market participation by speculators. Ultimately though, we believe corporate profits determine the direction of the stock market in the long run, and 2022 should be another good year for corporate profit growth. Interestingly, we have also recently noticed that the bearish/negative sentiment among retail investors was worse than at the start of the pandemic (source: Fundstrat, Tom Lee, 01/27/2022). This is actually a good contrarian indicator.

If you have questions or need further guidance, please do not hesitate to contact me.

I appreciate the opportunity to serve you and look forward to continuing to help you accomplish your long-term financial goals.

Past performance is no guarantee of future results.

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