

EP 19: Investing through uncertainty.

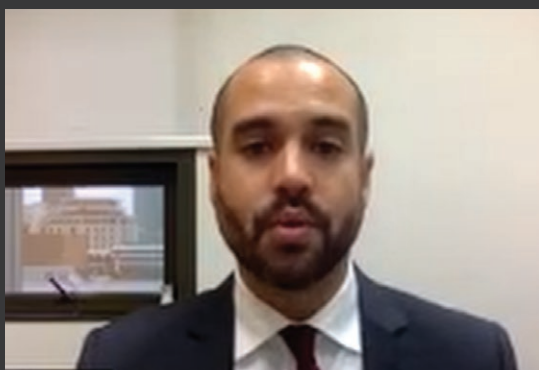
Scotia insights, an original web series.



Daniel Carabajal



Sapphire Mohammed



Christopher Clarke

Market volatility due to recent world events may result in feelings of trepidation for some investors. For others, it has not deterred their investment outlook. On Thursday 2nd June 2022, we hosted the 19th episode in the Scotia insights thought leadership series, in web format. Our feature speakers discussed the investment environment and how the dynamic global market impacts investors' decisions, as they focus on opportunities for the long term.

Daniel Carabajal, Director, Fixed Income & Strategy at Scotia Wealth Management in Toronto, Canada led the discussion on the global economic outlook focused on diversification and how planning can help mitigate volatility. Christopher Clarke, Senior Manager, Investment Management at Scotia Investments Trinidad and Tobago Limited and Sapphire Mohammed, TV presenter and content creator, both joined Carabajal on the original web series panel. Christopher shared the local perspective while Sapphire moderated.

Key developments

Carabajal's insights included a recap on predictions earlier this year, which initially expected global growth to be moderate due to stickier, longer lasting inflation, waning policy support, normalizing consumer spending and higher interest rates and highlighted that, to date, growth estimates have since been revised – lower¹.

What has changed and why?

(1) Russia's invasion of Ukraine resulting in higher equity market volatility and greater economic uncertainty (2) commodity prices, which rallied due to expected shortages, (3) inflation is likely to remain higher for longer, leading to more aggressive policy normalization and (4) tightening financial conditions and deteriorating risk appetite weighed on asset values.

In summary, Carabajal stated that volatility will likely remain elevated relative to its long-term average as risks persist, warranting a bias towards high-quality assets. It's expected that economic growth, inflation and interest rates will remain anchored by long-term secular trends, though short-term disruptions may persist. Diversification is one of the most prudent risk management strategies, in which alternative assets and

a total return focus play an important role. Risks to the outlook and the potential for an intra-year correction may provide long-term investors with attractive entry points.

When asked by one of the attendees: "Given the recent sell off in international markets, is now a good time to get invested?" Carabajal responded: "You're encouraged to stay invested. It's not about looking for a particular time to invest. Studies show that if you try to time the market, you will lose more money in the long run, versus just staying invested. However, you should note, staying invested also means having a strategy. Strategizing your investment portfolio is key and will determine whether it's a good time to invest."

Outlook on Trinidad and Tobago economy market

In Clarke's presentation, he shared insights on T&T's energy price outlook, emphasizing that average natural gas prices more than double initially budgeted prices for 2022, and prices forecast to remain robust over the short term, given the Russian disruption. He also highlighted that in January 2022, natural gas output was the highest since the COVID onset in March 2020 and sanctioned projects coming onstream are set to support production levels of 3-3.5mmcf/day (2022-2025).

When asked: "How are higher commodity prices expected to impact the local markets?" Clarke replied: "It's a multifaceted impact. Commodity prices have been affecting the consumer. For instance, an increase in gas prices in T&T will impact disposable income and decision making, for example, 'Should I buy a car at this time?' What may override this is the impact it will have on Government balance sheet. The Government is the biggest spender and employer. So, with the income they will get from high commodity prices, they can turn over into increased hiring, increased development type projects and investments in new industries etc. This would have an overriding positive impact on the local market. It will also impact local stocks as the larger companies in the market are direct suppliers to the government. Therefore, increased spend will have a positive impact on our locally listed equities."

Scotia insights was launched in 2016. This meaningful thought leadership event continues to connect us with our customers and provide a platform for discussion and engagement. Each time we host a new episode, we hope our Clients will be inspired to make significant adjustments in their lives and the way they operate business. Whether this means to determine a new path or follow a lifelong dream, it is important to us that we, at Scotiabank, help our customers evolve.



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¹ Sources: Bloomberg, Scotia Wealth Management | 1 – Based on Scotiabank Economics forecasts – April 12, 2022 | 2 – Based on S&P500 | 3 MSCI World Index maximum drawdown over the past year.