MONTHLY

InvestmentMonitor

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January in Review

Equity markets pulled back in January, with valuations correcting following robust returns in 2021. In an effort to reduce inflation, major central banks have telegraphed less accommodative monetary policy, and higher interest rates. The shift in policy has generally been viewed as negative for stocks, particularly for growth stocks, which bore the brunt of the sell off. Adding to the negative sentiment, concern over geopolitical risk increased in January, as the threat of military conflict between Russia and Ukraine escalated. In addition, while there is evidence of continuing global economic growth, there have been some indications that the pace of the recovery has slowed since 2021. Commodities prices were mixed during the month. Energy prices soared, with natural gas climbing 37.0%, and WTI Crude Oil up 17.7%. Metal prices dipped lower, with copper down 3.1% and gold down 1.9%. Canadian stocks declined, with the S&P/TSX Composite slipping lower by 0.4%. This was driven by weakness in Information Technology, Health Care, and Real Estate, which declined 20.4%, 9.1%, and 5.7%, respectively. U.S. markets were also lower, with the S&P 500 down 5.2% and the Dow Jones Industrial Average down 3.2%, in U.S. dollar terms. The MSCI World index moved 5.3% lower, while the MSCI Emerging Markets index lost 1.9%, also in U.S. dollar terms. Bonds lost ground as the FTSE Canada Universe Bond Index declined 3.4% in the month.

Here are some of January's most notable headlines:

Central banks update policy plans. The Bank of Canada (BoC) held rates steady at a recent meeting, but revealed a more hawkish stance, suggesting higher rates are coming in 2022. The U.S. Federal Reserve (the Fed) also held rates steady in January, but signalled its intentions to start rate hikes as soon as March, in addition to phasing out its monthly bond purchases. Comments from officials at both central banks indicate their concern over inflation, which has risen to levels not seen in decades over the past year. Given the strength in the labour market the shift in policy direction is clear.

The IMF cuts its 2022 global economic forecast. Last month the International Monetary Fund (IMF) downgraded its 2022 global growth forecast to 4.4%, from 4.9%. In 2023, global growth of 3.8% is expected, up slightly from the previous forecast of 3.6%. The downgrade was driven by reduced expectations for the U.S. and China, the world's two largest economies. The new U.S. forecast now assumes the "Build Back Better" fiscal spending package won't happen, monetary policy will tighten sooner, and supply chain problems will linger. In China, pandemic-related disruptions from lockdowns and continued financial stress among property developers are part of the new forecast.

U.S. GDP surged in Q4/21, while January PMI underwhelmed. In the fourth quarter of 2021, the U.S. economy experienced its strongest growth since 1984. GDP grew at a 6.9% annualized rate, well ahead of the 5.5% estimate, driven by consumer and business spending. GDP growth for 2021 was a robust 5.7%. Less impressive flash January Purchasing Managers Index (PMI) data was also reported, by IHS Markit. The January Composite PMI was 50.8, down from 57.0 the previous month amid headwinds from soaring COVID-19 infections, worsening supply chain delays, staff shortages, and pandemic restrictions. Still above 50, the January PMI does indicate growth, albeit at a slower pace than we've recently seen.

Did you know?

The deadline for RRSP contributions that can be used to reduce taxes for the 2021 tax year is approaching on **March 1**. While there are several kinds of registered savings plans, they all have the same important feature: you can defer paying income tax on the money earned from your investments while they remain in the plan. In addition to making lump sum contributions, tax-deductible contributions can be made through regular Pre-Authorized Contributions (PACs). This year, the RRSP deduction limit is the lesser of 18% of earned income and $27,830, net of pension adjustments, plus unused RRSP contribution room from previous years.

INDEX†	Change (%) 1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.02	0.02	0.11	166
Bonds (FTSE Canada Universe Bond)	-3.40	-3.40	-4.80	1,150
Canadian Equities (S&P/TSX Composite)	-0.40	-0.40	25.05	21,098
U.S. Equities (S&P 500, US$)	-5.17	-5.17	23.27	4,516
Global Equities (MSCI World, US$)	-5.27	-5.27	17.06	3,059
Emerging Markets (MSCI Emerging Markets, US$)	-1.90	-1.90	-7.02	1,208
CURRENCIES†	**Change (%) 1 Mth**	**Change (%) YTD**	**1 Yr**	**Exchange Rate**
C$/US$	-0.54	-0.54	0.54	0.79
C$/Euro	0.75	0.75	8.64	0.70
C$/Pound	0.14	0.14	2.50	0.59
C$/Yen	-0.54	-0.54	10.58	90.58
COMMODITIES (US$)†	**Change (%) 1 Mth**	**Change (%) YTD**	**1 Yr**	**Price**
Gold Spot ($/oz)	-1.89	-1.89	-3.53	1,796
Oil WTI ($/barrel)	17.72	17.72	80.01	88.15
Natural Gas ($/MMBtu)	37.03	37.03	70.90	4.87

† Total Return, as at January 31, 2022. Indices are quoted in their local currency.
Source: Bloomberg

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