Cohen Johnstone Wealth Management Market Commentary
March 31, 2021

The global economy continued to recover with some regions such as the United States outpacing others like the Eurozone. The pace was largely reflective of success in vaccine distribution against the rapid spread of new coronavirus variants. It is clear that policy officials will continue to provide support for economies either in the form of easy financial conditions, such as interest and exchange rates, and/or fiscal policy support, such as the United States' approval of a $1.9 trillion stimulus package. There is intense debate as to whether all of this support and the fundamental change in policy are sowing the seeds of long-term inflation.

The tone in equity markets remained positive in Q1, despite mixed progress around containment of the COVID-19 pandemic. The Canadian market was amongst the strongest globally (+8.1%), as higher rates propelled financial shares higher and commodity exposed stocks also advanced. US markets were also firm (+4.7% in CAD), as progress around vaccinations and the passing of a major $1.9T stimulus program provided continued support for an economic recovery. In Europe, a slower vaccine rollout and resurgent infections dampened expectations for a quick domestic recovery. Emerging markets also showed mixed results, primarily because of differing levels of COVID progression and lower vaccine availability versus developed markets.

Bond markets posted one of their weakest performances in history while equity markets touched new highs in the quarter. Corporate bonds modestly outperformed their government counterparts although the tone weakened into quarter-end as rising government yields weighed on overall bond market sentiment.

The outlook remains pro-risk. The gradual reopening of economies, combined with the impulse from highly accommodative monetary and fiscal policies, should lead to strong economic growth in the coming quarters. Total return expectations should however be tempered, and episodes of increased volatility expected, as we enter the second year of this bull market. Discussions surrounding U.S. corporate tax policy, Sino-U.S. relations, and worries of economic overheating should gradually take over the markets' attention as the pandemic becomes a secondary issue.

While the future as always has uncertainty, we continue to focus on our longer term approach with risk management at the forefront. This should continue to ensure that assets grow and financial goals are met.

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