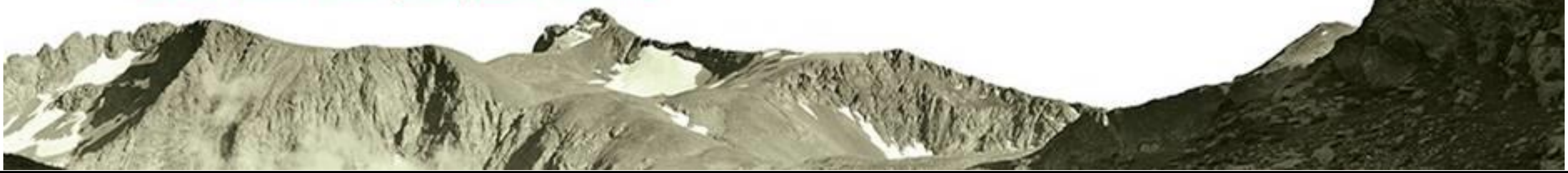
GOULET | ADVISORY GROUP

Advice tailored for your peace of mind



Economic Outlook – Winter 2022

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Hello and welcome to a new year. I hope it is starting in good health and spirit.

As this year starts under the weight of another Covid wave and jokes of 2020-too, markets have caught a little bit of a winter chill. Please read further for our constructive view and outlook as well as a few updates.

2021 Review Stocks were very strong last year, led by technology and U.S. companies in general. This was justified by strong earnings growth and amplified by higher valuations in hope for post-covid normalization.

Bonds delivered negative returns of -2.5% as a decline in price more than negated low rates of interest. Reminder: bond prices drop when interest rates rise, proportionately to their years to maturity.

Rotation from high growth stocks to value stocks took hold in the fall, with many covid stars continuing to fall as investors come to reason that sales growth is not enough anymore and profitability comes back to the forefront.

2022 Outlook Covid resurgence of the last couple of months shows how choppy this expansion phase of the economic cycle may be going forward.

After a great run, stocks may seem overpriced. Albeit very true for some sectors, others are fairly priced or even at a bargain. This partly takes into account anticipated profit growth of approximately 20% this year. One caveat, as prices have anticipated part of the positive outlook, this profit growth shouldn't be expected to push stocks up proportionately, with valuations declining to offset higher earnings. In other words, even if long-term stock performance generally tends to 10% and profits are growing faster than that, forecasters we follow are looking at 5-10% for stocks this year and the next. Stay tuned as the challenge of financial forecasts is sometimes akin to meteorology.

TFSA & RSP

It is contribution season. If you haven't heard from us regarding your TFSA or RSP contribution and would like to discuss, please contact Steve directly or Orith to schedule a convenient time

New Team

As you may have noticed in our recent announcement, my association with long-time and trusted colleague Karim Zakher now gives our respective teams more depth with two portfolio managers, one financial planner and three associates with an average experience exceeding ten years.

PORTFOLIO POSITIONING Our 3-year outlook is positive with a temporary prudent stance at the beginning of the year. Resulting underweight equity weightings in most portfolios will allow for opportunistic additions.

The current correction, exceeding 10% in some countries, will soon present an interesting opportunity to add to equity allocations at reduced prices, and reduced risk

As always, we are focused on keeping all parts of your portfolio sound. As volatility returns, we are well-equipped to rebalance between stocks and bonds as well as within equities and with fixed income. Even the best company can become a bad investment at elevated prices.

For income investments, preference is still for non-government bonds or loans as the credit risk of a recession should still be a few years out and the yield gains are significant. As we do for stocks, disciplined rotation from gainers to losers is important to benefit from volatility and ensure quality holdings. For example, preferred shares purchased in first months of Covid at exceptional yields have been reduced as prices have risen and yields fallen.

As always, I am available to discuss any of these of other topics important to your family's financial wellbeing.

Until then, stay safe.

Steve & Orith

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