

Friday saw Markets finish higher, reversing their slide earlier in the week. This week -and the balance of this quarter will be the Bull's Big Test, and provide guidance as to whether the rally will resume amid inflation worries. Rising prices are an inevitable by-product of the times, as the global economy reawakens from the stupor brought on the by the Covid-19 pandemic. Pent-up demand combined with enduring supply constraints are exerting upward pressure on the prices of everything from couches to cars to copper.



"We've changed our investment strategy."



Investors have good reason to fear more persistent inflation in the months ahead. That presents the risk that at some point, the U.S. Federal Reserve and other central banks may have no choice but to cool things off by reining in stimulus. This would put pressure on Markets, where the S&P 500 (see graph) is trading around 22 time forward earnings.

But at closer look, the spike in prices seems more temporary than permanent, making the growing inflation pressure look less like a bear-market

killer and more than a one-time event driven by a post-Covid reopening. The major drivers that have supported this bull market are still here, including the incredible amount of liquidity sloshing throughout the financial system, strong global earning growth (over 35% this year) and an economic boom of historic proportions. More, household balance sheets are brimming with cash, while most savings and fixed income instruments pay next to nothing. Canadian and U.S. 10-year bond yields currently sit around 1.6%

On balance, our view is that the net positives outweigh the negatives -inflation and geopolitical uncertainty, and that Markets have further yet to go in terms of upside. This can be described as a secular bull market, characterized by strong earnings, consumer demand and synchronized global growth. As such, being bearish simply doesn't make sense looking further into 2021, and we remain confident that our model portfolios -comprised of small, mid and large

capitalization equities and quality corporate bonds- will participate in further Market gains anticipated in the second half of the year. Some volatility is expected, but that is simply part of the equity experience. Our eyes are set on year-end and we expect to see Markets finish higher than current levels.

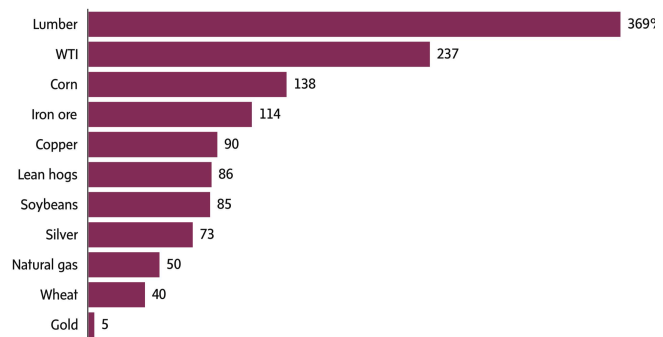
Be safe, be well!

Martin

519-546-5088

Commodities performance

Year-over-year % change as of April 30, 2021



THE GLOBE AND MAIL. SOURCE: SCOTIA CAPITAL

DATA CHIA