MONTHLY

InvestmentMonitor

MARCH 2022

February in Review

Equity markets generally moved lower in February, with the notable exception of Canadian stocks. Volatility increased in the month along with geopolitical uncertainty, culminating in the invasion of Ukraine by Russia. Major western countries responded with harsh sanctions on Russia, including Russian businesses and individuals. The economic consequences for Russia have been severe, and the value of the ruble has plummeted. Commodity prices climbed on the expectation of supply restrictions on Russian exports, particularly for oil and gas. WTI crude oil soared, up 10.7%, while natural gas slipped lower by 5.8%. Metals prices gained, with gold up 5.8% and copper up 3.0%. Canadian stocks gained, with the S&P/TSX Composite higher by 0.3%. This was driven by strength in Materials, Energy, and Telecom, which gained 12.9%, 6.9%, and 2.0%, respectively. U.S. markets were lower, with the S&P 500 down 3.0% and the Dow Jones Industrial Average down 3.3%, in U.S. dollar terms. The MSCI World index moved 2.5% lower, while the MSCI Emerging Markets index lost 3.0%, also in U.S. dollar terms. Bonds lost ground as the FTSE Canada Universe Bond Index declined 0.7% in the month.

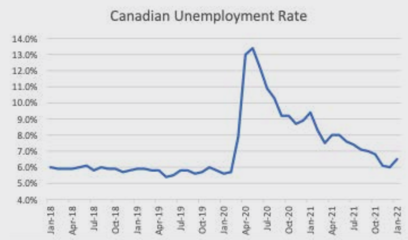
Here are some of February's most notable events:

Russia invaded Ukraine. Russia launched a full-scale military operation in Ukraine with a barrage of missiles, artillery, air, and land attacks. Ukraine reported casualties along with attacks from five regions, including from Crimea in the south and Belarus in the North. The western world responded with a variety of sanctions against Russia, with the potential of more to come. Markets responded with dramatic volatility. Energy prices shot up on anticipated supply disruptions, and there was a flight to safety as equities displayed heightened volatility.

U.S. CPI shows January inflation at 40-year high. In the U.S., the January Consumer Price Index (CPI) surged, up 7.5% year-over-year, even higher than expectations of 7.2%. This was the largest increase since 1982. Core inflation, which strips out volatile energy and food prices, increased 6.0%, above estimates of 5.9%. Food and shelter costs led the move higher, although vehicle costs were flat for new cars and up only 1.5% for used vehicles. These data increase the likelihood of interest rate hikes in the near term.

Geopolitical conflict may cause dovish pivot from central banks. Western sanctions against Russia and higher energy prices are raising doubts about the pace of expected interest rate hikes from major central banks throughout 2022. It had been considered extremely likely that The European Central Bank (ECB), the U.S. Federal Reserve (the Fed) and the Bank of Canada (BoC) would raise rates several times in the next year, beginning next month. This expectation may need to be altered as the turmoil in Europe will complicate the situation, perhaps slowing down the process of interest rate "normalization".

Did you know?



The Canadian economy felt the impact of the Omicron variant of COVID-19 in January. A variety of strict public health measures were implemented, reintroducing capacity limits or closures to retail stores, restaurants, bars, concert halls and gyms, in addition to moving schools to online learning in some jurisdictions. These measures hit the job market, particularly in Ontario and Quebec, with accommodation and food services the hardest hit industries. The unemployment rate jumped to 6.5% in January, up from 6.0% the previous month, the first increase since April 2021.

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.01	0.03	0.13	166
Bonds (FTSE Canada Universe Bond)	-0.72	-4.10	-3.04	1,141
Canadian Equities (S&P/TSX Composite)	0.28	-0.12	20.16	21,126
U.S. Equities (S&P 500, US$)	-3.00	-8.02	16.37	4,374
Global Equities (MSCI World, US$)	-2.49	-7.63	11.26	2,978
Emerging Markets (MSCI Emerging Markets, US$)	-3.01	-4.85	-10.44	1,171
CURRENCIES†	**1 Mth**	**Change (%) YTD**	**1 Yr**	**Exchange Rate**
C$/US$	0.28	-0.27	0.52	0.79
C$/Euro	0.39	1.14	8.17	0.70
C$/Pound	0.48	0.62	4.38	0.59
C$/Yen	0.15	-0.39	8.45	90.72
COMMODITIES (US$)†	**1 Mth**	**Change (%) YTD**	**1 Yr**	**Price**
Gold Spot ($/oz)	5.81	3.81	9.08	1,901
Oil WTI ($/barrel)	10.67	28.57	72.28	95.72
Natural Gas ($/MMBtu)	-5.84	25.52	78.80	4.40

† Total Return, as at February 28, 2022. Indices are quoted in their local currency.
Source: Bloomberg

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