

## February in Review

Equity markets climbed in February, with investors increasingly pricing in a strong economic recovery in 2021. U.S. markets moved higher, with the S&P 500 up 2.8% and the Dow Jones Industrial Average up 3.4%. The EAFE index, representing international developed markets, climbed 2.3%. The MSCI Emerging Markets index gained 0.8% led by terrific performance in India. In Canada, the S&P/TSX Composite gained 4.4%, with notable strength in Information Technology, Energy, and Consumer Discretionary sectors, which were up 9.9%, 9.1%, and 8.7%, respectively. WTI crude oil continues to rally during February, up 18.1% for the month, and up 34.5% over the past three months. Copper also surged, up 15.1%. However, gold prices dipped, down 6.6%. Bond yields continued to climb on growing optimism for a robust economic recovery. As a result, bond prices moved lower in the month, with the FTSE Canadian Universe Bond index down 2.5%.

Here are some of February's most notable headlines:

### The U.K. economy grew 1% in Q4, avoiding a double-dip recession.

GDP grew 1% in the fourth quarter of 2020, although it decreased 9.9% for all of 2020. The full year performance was the worst contraction in over 300 years, and the worst out of the G7 countries. Fourth quarter performance was a little better than expected, as a series of restrictions were tightened during that time as part of an attempt to reduce the spread of COVID-19.

### Jerome Powell reiterated the U.S. Federal Reserve's plan for continued low interest rates.

Although the bond market is starting to price in expectations of a rapid economic recovery, Federal Reserve (the Fed) Chair Jerome Powell stated that the Fed will maintain low interest rates to prioritize a strong job market. Powell suggested that the recent rise in bond yields is a sign of confidence. With over 10 million more Americans unemployed compared to the pre-pandemic level, the Fed is willing to overshoot its 2% inflation target to ensure the inclusion of low-income and disadvantaged workers in the recovery. Market expectations for inflation are now at the highest level since 2014.

**U.S. consumer confidence improved in February.** The latest Conference Board survey shows that its U.S. consumer confidence index rose to 91.3 in February from 88.9 in January. Economists had expected a reading of 90.0. The improvement was driven by the improving labour market, declining COVID-19 infections, and expectations for additional fiscal stimulus from the federal government. The survey showed increased consumer enthusiasm for overseas vacations, although fewer intend to purchase homes, automobiles, and other big-ticket items over the next six months. Health experts have warned that coronavirus variants initially discovered in Britain, South Africa and Brazil could cause another wave of the pandemic, potentially disrupting the recent positive momentum.

### Did you know?

#### RRSPs: No Parking

Many investors deposited cash in their Registered Retirement Savings Plan (RRSP) by the contribution deadline in order to achieve tax savings. However, it's important to remember the next step, which is to invest the cash. Delaying this process may result in "cash drag", so named because the minimal returns provided by cash actually drag down overall long-term performance.

Cash can be a real drag when it comes to your retirement portfolio. Not only will you be missing out on investment opportunities, your cash holdings may not even keep pace with inflation, leaving you with a negative real return.

Saving for retirement is good. Investing for retirement is even better.

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	-0.01	0.00	0.44	166
Bonds (FTSE Canada Universe Bond)	-2.52	-3.60	1.09	1,177
Canadian Equities (S&P/TSX Composite)	4.36	4.03	14.74	18,060
U.S. Equities (S&P 500, US\$)	2.76	1.71	31.27	3,811
Global Equities (MSCI World, US\$)	2.60	1.61	30.04	2,727
Emerging Markets (MSCI Emerging Markets, US\$)	0.77	3.78	36.45	1,339

  

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	0.29	-0.04	5.13	0.79
C\$/Euro	0.82	1.14	-3.93	0.65
C\$/Pound	-1.33	-1.97	-3.23	0.56
C\$/Yen	2.12	3.11	3.70	83.65

  

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-6.57	-8.99	8.75	1,729
Oil WTI (\$/barrel)	18.09	26.31	32.92	61.50
Natural Gas (\$/MMBtu)	6.91	9.18	30.22	2.77

† Total Return, as at February 28, 2021. Indices are quoted in their local currency. Source: Bloomberg

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