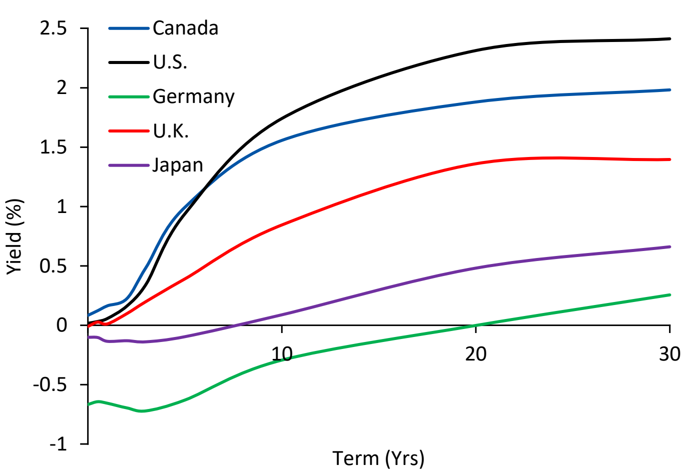
Market Statistics

	Mar/21	Dec/20	Sep/20	Mar/20
Yields (%)				
90 Day T-Bill	0.10	0.06	0.12	0.26
10 Yr. Canada Bond	1.61	0.74	0.56	0.70
30 Yr. Canada Bond	1.96	1.21	1.11	1.31
Rates				
C.P.I. (annual %)	1.09	0.73	0.51	0.89
US$/C$	0.80	0.79	0.75	0.71
Euro/C$	0.68	0.64	0.64	0.64
Prices (US$)				
Crude Oil (bbl.)	59	49	40	20
Natural Gas (mm)	2.61	2.54	2.53	1.64
Gold (oz.)	1,714	1,893	1,888	1,583

Market Returns

	Periods Ending Mar. 31/21			
			Annualized	
	3 Mo.	1 Yr.	5 Yrs.	10 Yrs.
S&P/TSX	8.1	44.3	10.1	6.0
S&P 500 (C$)	4.9	38.6	15.6	16.9
S&P 500 (US$)	6.2	56.4	16.3	13.9
MSCI EAFE Net (C$)	2.2	28.2	8.2	8.3
MSCI EAFE Net (US$)	3.5	44.6	8.8	5.5
MSCI World Net (C$)	3.6	36.5	12.7	12.8
MSCI World Net (US$)	4.9	54.0	13.4	9.9
Bond Universe	-5.0	1.6	2.8	4.0
91 Day T-Bills	0.0	0.3	1.0	0.9

Yield Curves



The Economy

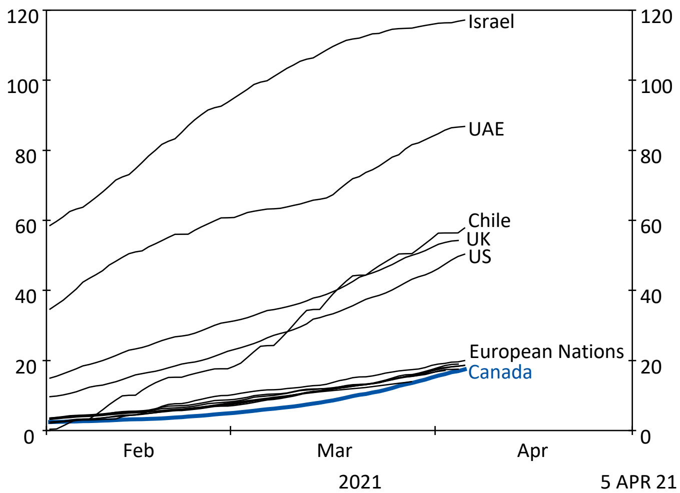
The economic recovery, post the global pandemic induced recession, is well on its way as the countries and regions with the largest rate of vaccinations experience the greatest acceleration in growth. China, where the pandemic started, is leading the way with the US economy now also moving ahead rapidly. Unfortunately, Europe continues to suffer from a low rate of vaccinations and its growth rate has stalled. Canada, despite an equally low innoculation rate, is being carried by its southern neighbor. The charts on page two illustrate the different rates of vaccination and the dramatic improvement in global industrial production.

The recovery is being driven directly by economies re-opening and people getting back to work. However, it is also being "supercharged" by the most aggressive global government fiscal stimulus since the Second World War and unprecedented expansionary monetary policy. Not only are short-term interest rates being kept close to zero, or negative (as indicated on the yield chart below), long-term interest rates are being held down as well by central banks intervening in the market with their unparalleled and sizable purchase of bonds (expanded quantitative easing).

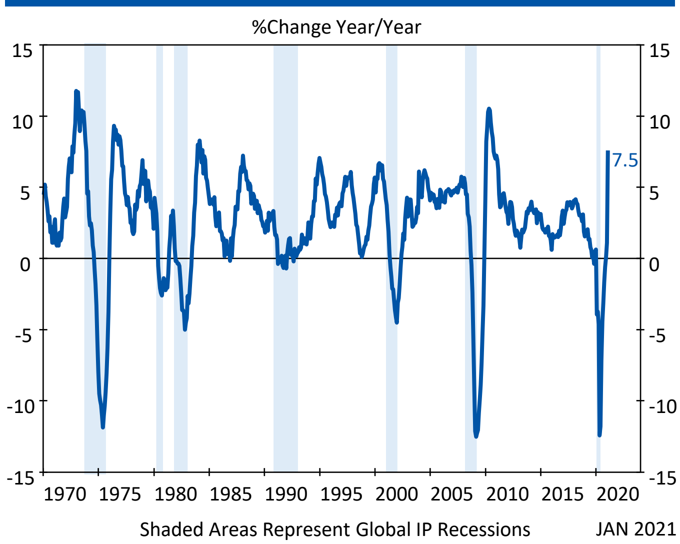
In North America, consumer savings rates have ballooned from 2-5% of disposable income to the 12-15% range. Fear and uncertainty about the future has spurred part of the rise in the savings rates but massive government incentives and cheques that have landed in personal bank accounts have also been a factor. The pent-up savings are expected to eventually unleash massive spending which will most certainly cause some increase in the rate of inflation. So far, we have seen only moderate increases and central bankers have been unconcerned given the pre-pandemic experience of very low rates of inflation and even deflation in some regions.

The great recession of 2008 was characterized by a debt crisis that bankrupted both financial companies and many consumers. The 2020 slowdown was unique in that financial institutions, corporations and the consumer entered this recession with balance sheets in reasonable shape. Governments worldwide have taken on sizable debts in order to protect businesses and consumers throughout the pandemic. In the future, we can most certainly expect higher taxes to help relieve government debt burdens but not until employment rates have recovered significantly.

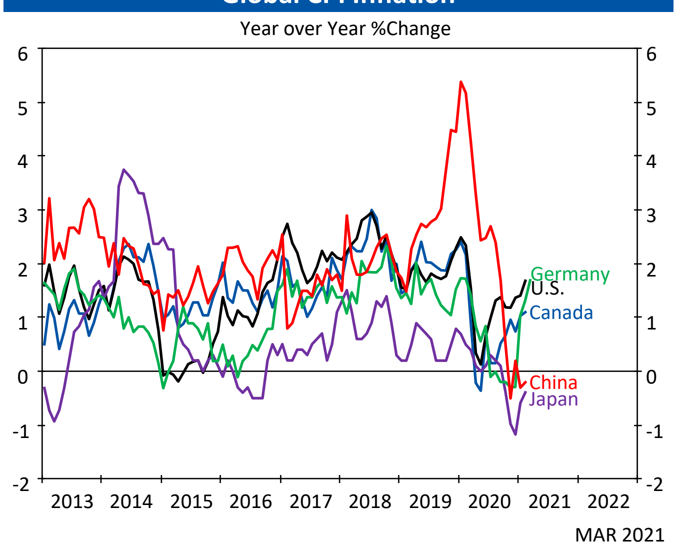
Total Vaccinations Per 100 Population



Global Industrial Production



Global CPI Inflation



The Markets

Equity market returns have been strong this past quarter and the one-year results reflect the extraordinary rebound from the pandemic lows. The S&P/TSX stock index gained 44% and the World Index 36% since March 31, 2020. Shares of technology companies continue to benefit from the movement to online work and shopping but in the first quarter of 2021, the more traditional industries most sensitive to economic recovery, were the best performers. Energy stocks particularly excelled as OPEC demonstrated better supply management of oil, not allowing excess production to dampen the recovery in demand. The energy subsector in the Canadian based S&P/TSX index gained 101% over the last twelve months.

The bond market suffered sizable losses last quarter as fears of inflation are being reignited. The Bond Universe Index declined 5.0% in the first quarter, eliminating much of the gains experienced in bonds since the pandemic began. Historically, long bond yields have exceeded inflation rates by 0.5-1.0% and therefore today's yields appear to reflect expected inflation rates of approximately 1.5-2.0%, very much in line with stated central bank objectives.

Current bond yields still do not provide a significant premium over the dividend yields available in the equity markets. While the U.S. Federal Reserve has stated that short-term interest rates will not likely increase for three years, they have not been as committed to the continued purchase of bonds in order to keep long-term interest rates down. The Bank of Canada is expected to follow the U.S. lead. Owning some bonds does serve to minimize portfolio volatility and provide for any potential cash needs but any bonds held will remain short in maturity.

Low interest rates typically support higher valuation levels for all asset classes. The ability to easily borrow at a low cost can, however, add risk in the form of potential excessive price speculation. House prices are most obvious today as are some technology related stocks, the shares of companies promoted by social media websites and Bitcoin. Nevertheless, **we continue to emphasize equities as the global economic recovery is just beginning. Our equity selections will continue to focus on shares of companies with strong, consistent cash flows and increasing dividends, and avoid speculatively priced sectors not supported by earnings.**

Sources: TD Securities Inc., Bloomberg