

Happy New Year

In this update...

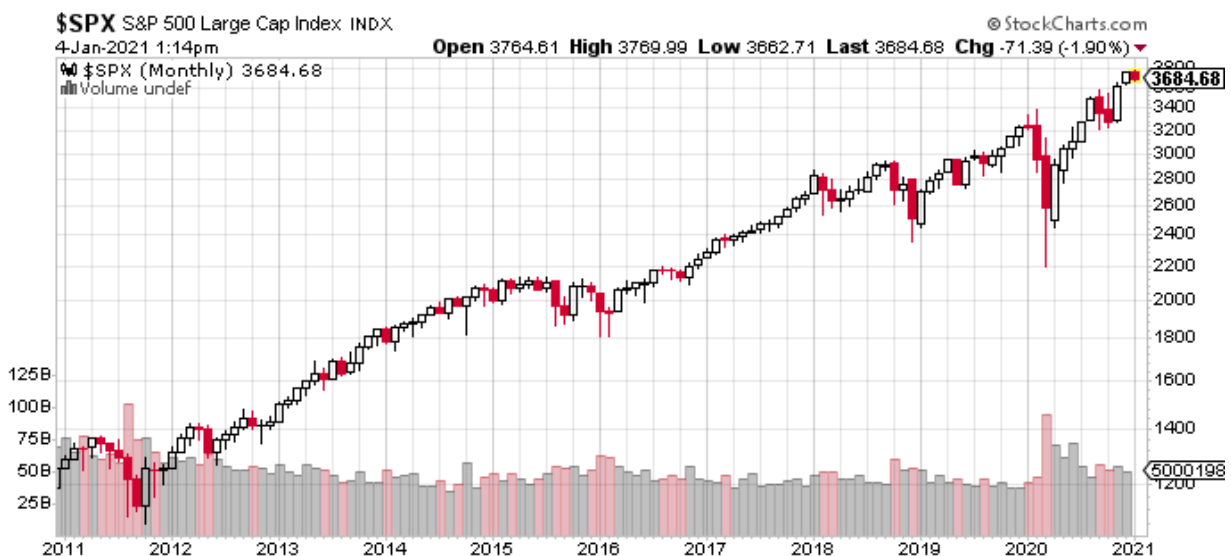
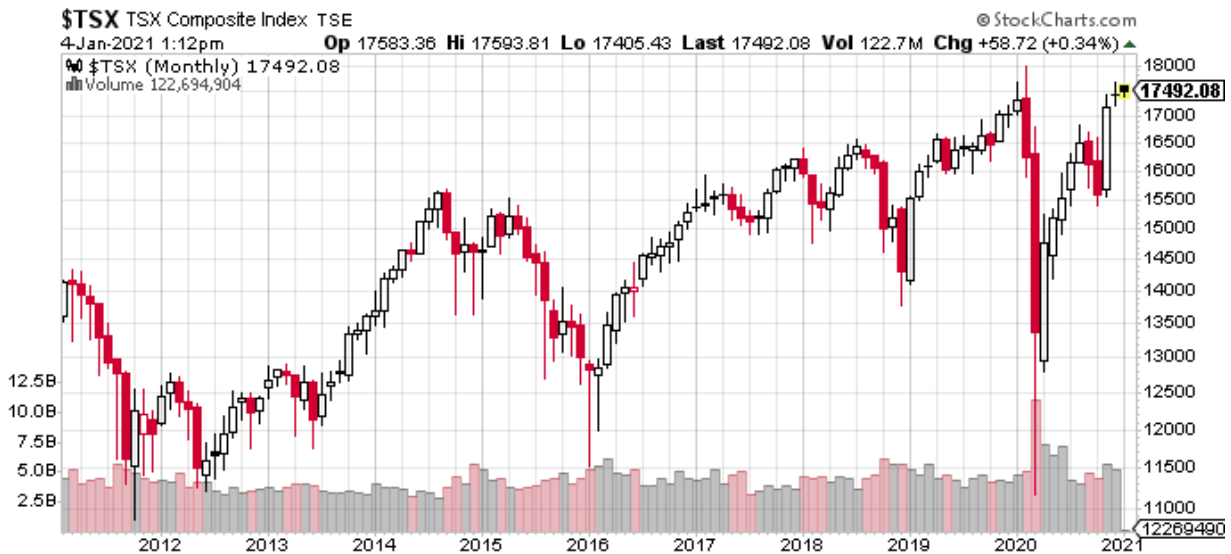
- How markets finished 2020
- What do I expect next?
- TFSA and RSP contributions

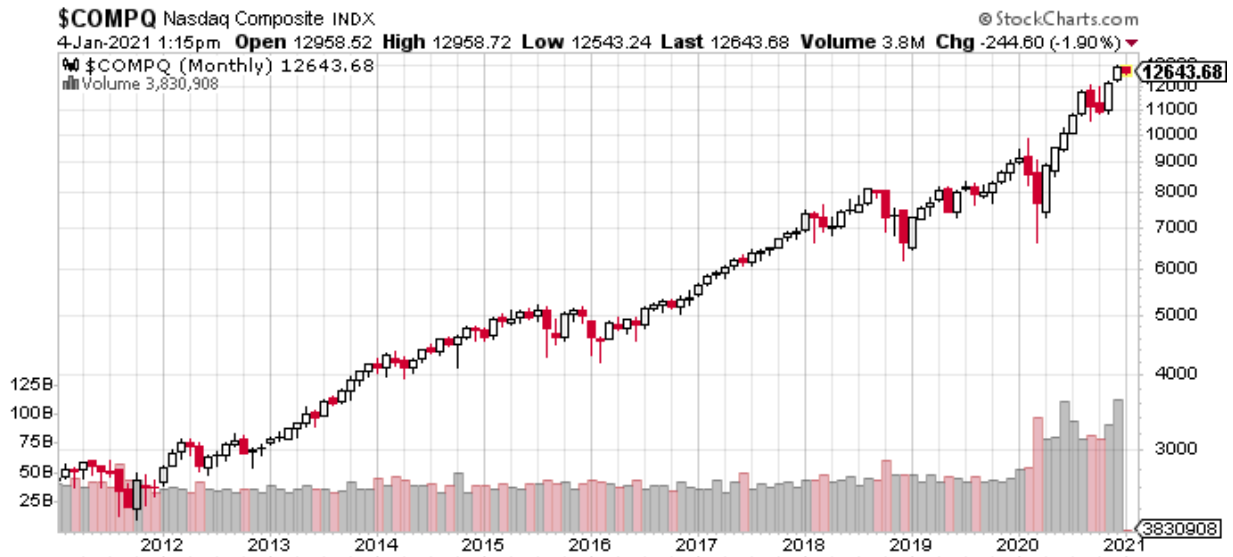
The Covid correction in the spring saw markets correct over 35% and then stage a huge comeback within 8 months (April – Nov). The most significant gains were realized in November as vaccine news created hope in this pandemic and stock markets always – look forward. The upward rally in the market off of March lows, surpassed all of the greatest rallies off prior lows during the past century, including 1929, 1938, 1974 and 2009.

Here is how Canadian and U.S. markets finished 2020...

- **TSX** (Canadian market) **+2.2%** for the year staging a late broad-based recovery in the fall but never recovering to the Feb 20, 2020 high.
- **SPX** (S&P 500 U.S. broad market) **+16.3%** for the year.
- **Compq** (U.S. Nasdaq largely tech laden index) **+43.6%**
- Five-year Canada bonds pay 0.41% / Five-year U.S. bonds pay 0.36%

The Canadian market is less than 3% of the global market. While it typically provides good dividend income, it tends to historically lag the much larger and diverse U.S. market for growth.





Here is what I think about 2021...

I believe these factors could provide great potential for economic growth in 2021.

- **Effective vaccine for Covid** (Markets are forward looking)
- Interest rates remain very low
- Central banks continue with massive liquidity injections
- Global growth as the economy goes from lock-down to opening again.
- Personal savings rates are 28% of disposable income compared to 2% prior to Covid.

I believe these are near-term risks.

- Logistical nightmares of getting everyone vaccinated quickly
- **A more contagious mutation of Covid virus**
- *This week*, potential political upheaval with Georgia Senate elections tomorrow (Jan 5th) and potential attempts by Mr. Trump to seize power – search “Trump pressures Georgia Official to ‘find’ votes.”

With the New Year, it is time to consider contribution to registered accounts.

- For 2021, you can contribute **\$6,000 to your TFSA** (tax-free growth)
- For 2021, you can contribute up to 18% of your 2020 income to an RSP, capped at \$27,830 (100% deduction and tax deferred growth) Consult with your accountant or your CRA account at the CRA website.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. ***This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group.*** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Hindsight truly is ‘2020’.

Best,

National Bank Financial

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Sources: NBF Research, Globe & Mail, Reuters, New York Times, Empire Financial, Stockcharts.com

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