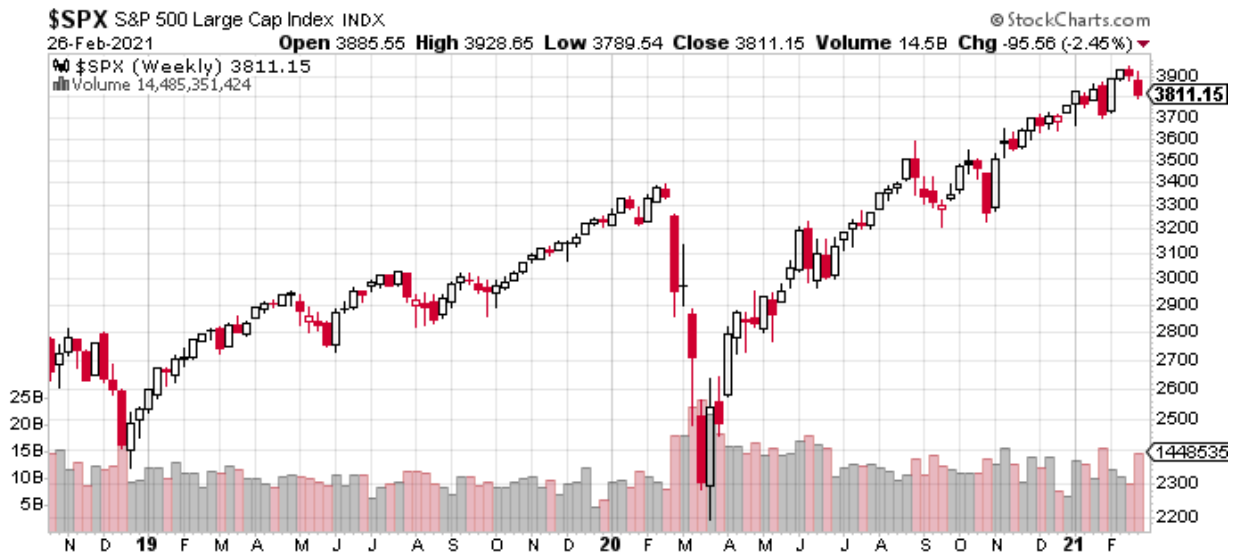
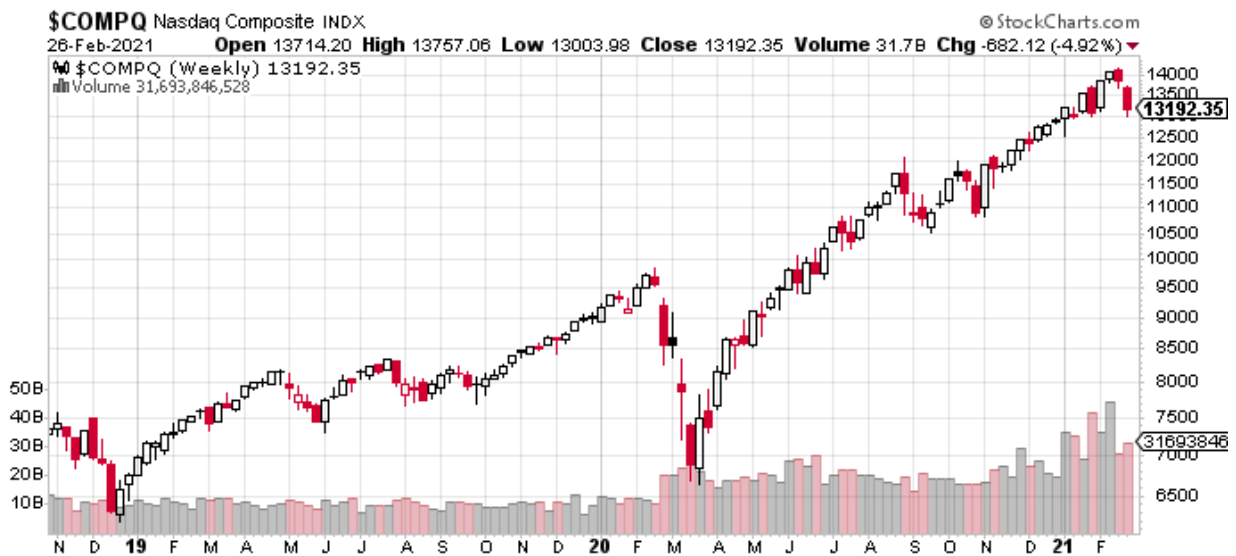
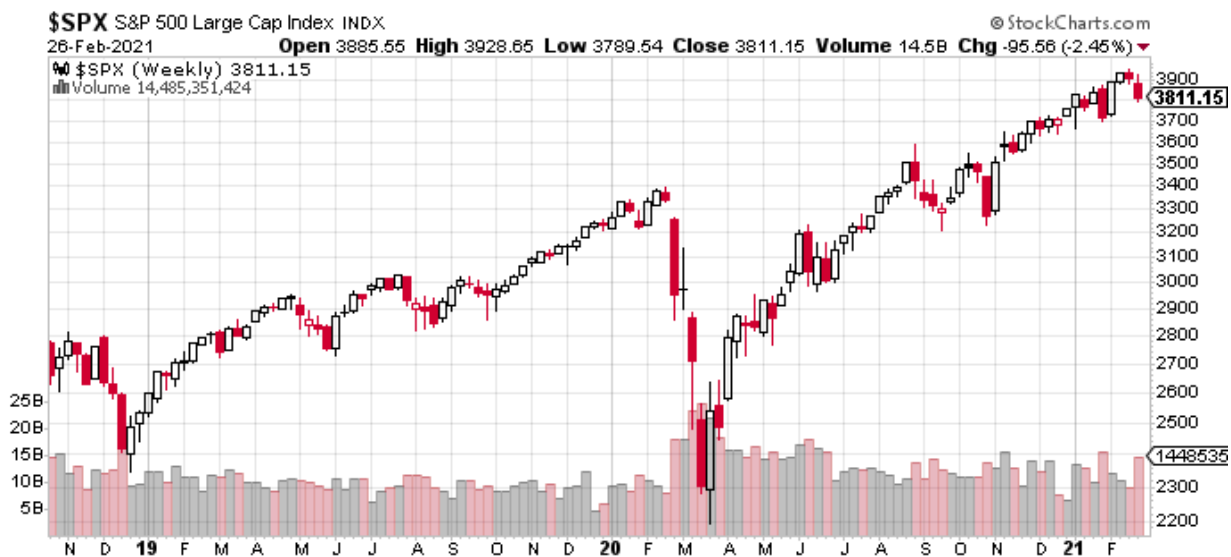


Market Update

March 2021

- Canada’s six banks all beat earnings expectations.
- Markets are consolidating since mid-February after a huge run up and as the Democrats seek to move a \$1.9 trillion stimulus bill through the Senate.
- The yield curve steepens – interest rates are moving up.
- Vaccines and herd immunity seem to be on the horizon.





All six Canadian banks beat earnings expectations and like American counterparts saw reductions in loan loss provisions. As previously suggested, we may see more of these provisions reallocated to earnings in coming quarters. Stats Canada suggests that Canadian savings rates are significantly elevated from pre-Covid which is a positive toward meeting financial loan obligations. (The U.S. is experiencing the highest savings rates since 1945.) However, these kind of savings rates also reflect less spending in the economy, which may help explain falling gross domestic product (GDP) despite massive stimulus.

Markets are consolidating a bit since mid-February as the Democrats seek to push a \$1.9 trillion stimulus bill through the Senate. This is huge and of course markets are near-term sensitive to the outcome. Of course, all of this printing of money is inflationary and the yield curve is steepening (interest rates are moving up). Take a look at the 10 year U.S. treasury below...



As a consumer you are seeing interest rates rise at the banks. (TD recently raised it's 5 year mortgage rate to 2.24%.)

Rising rates will be good for the financials as spreads improve but has put pressure on interest sensitive names like BCE or Fortis, despite both believed to continue annually expanding their dividends.

Vaccine distribution has ramped up in the United States significantly since the U.S. election and likewise, that country is seeing reversal in new cases and death rates. More than 72 million have been vaccinated, currently administering 1.6 million doses per day. Vaccinations and herd immunity seem to be on the horizon, which is a dramatic change in direction for an economic superpower that has recorded more than 518,000 Covid-19 related deaths. (I have included a link below regarding the B.C. Government vaccination schedule though this differs province to province.)

British Columbia Covid 19 Immunization Plan

https://www2.gov.bc.ca/gov/content/covid-19/vaccine/plan?utm_campaign=20210121_GCPE_AM_COVID_1_NOTIFICATION_BCGOV_BCGOV_EN_BC_NOTIFICATION

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Best,

National Bank Financial

Rob Hunter
Vice President
Senior Investment Advisor

Sources: Globe & Mail, Reuters, Stockcharts.com, IncomeResearch.ca, New York Times

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