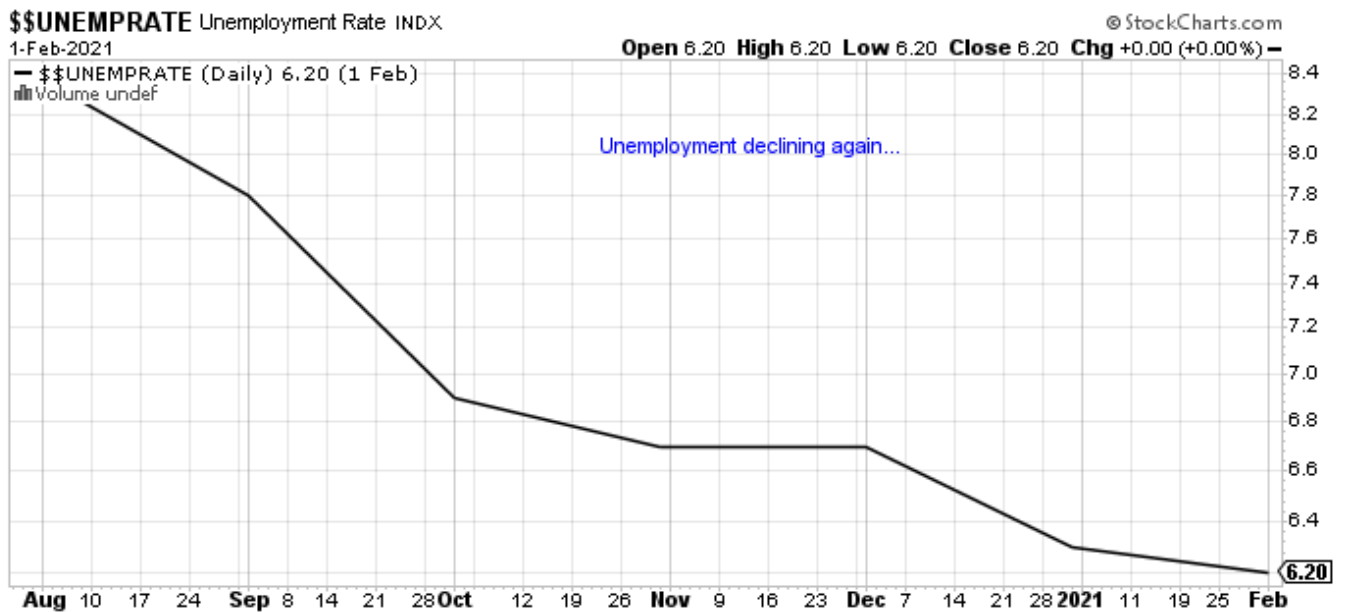


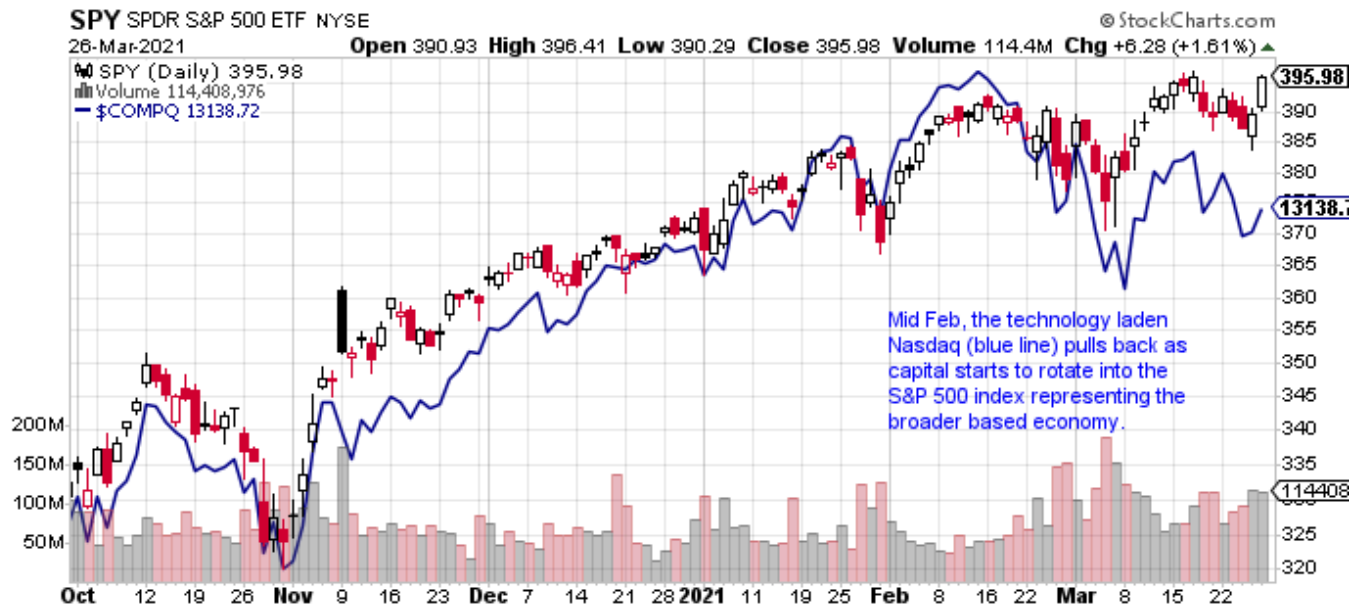
**Market Update**

**April 2021.**

**The Potential and risks for a market ‘Melt Up’**

- Household Net Worth at all time high.
  - Savings as a percentage of disposable income rocketed during the pandemic to 28%. It has since fallen but last look, it was still 18% compared to just 2% prior to the pandemic.
  - Unprecedented government stimulus
  - Massive pent up consumer demand
  - 4<sup>th</sup> quarter earnings beat expectations
  - Despite longer term rates moving up in the bond market, central bankers seek to keep short-term interest rates low.
  - By May 31<sup>st</sup>, 200 million Americans expected to be vaccinated (60% of population) so by September both the U.S. and Canada expected to be vaccinated.
  - The broader S&P500 index that represents the broader economy has been outperforming the technology laden Nasdaq since mid-February – and YTD.
  - Unemployment is declining
- X After shutting down the economy and then opening it again, we could see continued incidences of shortages and price inflation.





**What is on your wish list, for once you are vaccinated and able to live with Covid as a virus in our world, as opposed to it being a death threat?**

Whatever your answer to that question, my guess is that you will want to do something you haven't been able to for a while.

While at home, consumers have been spending where they are, in their homes. I was talking to a client who was expressing difficulty finding furniture. So, over the weekend, I dropped by a popular furniture store and asked them how long it would take to deliver a sofa and they said, December - eight months from now. When I asked them why that was, they explained that they have never seen so much demand as a result of the lockdown. They said it was unprecedented.

Later, I spoke to a friend who fabricates aluminum into the kinds of railings you see on condo balconies and he said that his aluminium suppliers can't keep up with demand and are currently not entering into new contracts.

What happens when the consumer is set free and can engage outside of their home? What if say, you wanted to fly somewhere?

How long would it take to get those planes operational that have been sitting in the desert and hiring back the pilots to fly them after getting them simulator time to dust off their skills, all in the face of potential surging demand.

This is an example of supply shortage and resulting price inflation we are seeing even now in certain segments of the economy. It can serve as a disruptor of sorts to an otherwise surging economic expansion and at least the potential for enhanced earnings .... a potential for a stock market 'melt up'.

Nearer term, I expect a market that responds to the continued *tug of war* between the fear that accompanies new variants or case loads versus new hope offered by a swift vaccine roll out.

Be well. April and our overdue spring! 😊

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.

Best,

National Bank Financial

Rob Hunter  
Vice President  
Senior Investment Advisor

**Sources:** NBF Economics, Globe & Mail, Bloomberg, Stockcharts.com, IncomeResearch.ca, New York Times

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