

Market Update

July 2021

While the city is out looking for cooling fans that are in short supply, I am starting to think this might be an ideal time to go out and look for a new snow shovel.

Recall that markets had run up nicely after the announcement of vaccines back in November last year. Back in April, I summarized reasons for a potential 'melt up' in markets and that is what markets have delivered.

	TSX (Canada)	S&P500 (U.S)	Nasdaq (tech)
Since April	+6.3%	+8.5%	+7.9%
YTD	+15.8%	+16%	12.8%

That was the first half of the year.

Now we are into the second half of the year and **on the eve of a rash of earnings announcements for the second quarter.**

We are still seeing inflation/supply issues from economy start up but also the revival of another tug of war between an economy opening up with pent up demand and the arrival of very contagious variants that threaten a third wave in this pandemic. The good news is that while it appears infection rates are moving up, hospitalizations are not, at least among the populations that have vaccinated. In other words, it appears that someone vaccinated might get sick from a variant but is less likely to be hospitalized as a result. In jurisdictions where vaccinations have become politicized (the U.S.) this poses a rather dangerous situation for parts of the population.

Beyond Covid, demand from the consumer is still massive. I have been conducting a straw poll when talking to people, asking them what they will do different to what they have been doing over the last 16 months and it is nearly 100% desire to travel. This is where 'the opening up' stocks should eventually kick in. I just booked a business trip to Toronto in September, my first since the pandemic started.

I have talked about the banks in recent updates. Here is something else to think about as you contemplate potential growth going forward...

"Over the next decade, an estimated \$90 trillion will be added to equity market appreciation. More than half of that is expected to come from disruptive technologies."

- Inside the Strategy Room by McKinsey & Company

*McKinsey is one of the largest consulting groups in the world.

What is disruption anyway? It is change.

Today, Data is considered to be far more precious than oil or gold.

If that is true, it will need to be protected. Government and industry need to deploy cybersecurity to the extent that it is quickly becoming a non-discretionary expense – kind of like a utility bill.

Of course, all that data has to be stored and it is estimated 50% has been moved to the cloud versus inhouse servers. That sounds like another 50% will migrate to the cloud going forward.

There is the issue of transmission of data too and 5G will mean speeds 10-100X faster than today, but 5G has only been adopted to about 10% of its potential so far.

Did you know electronic games and sporting, now generate more revenue globally than all of the music and film industry combined? It is believed that it will surpass television.

In the U.S. over the last five years, banks have closed approximately 50% of their branches. Few go to the bank today because we can access our banking online.

Robotics and Automation are changing the way we build things and even how we can do surgery. Did you know, that modern robotics used in surgery can sense nerves that a surgeon's scalpel cannot.

Modern genomics and artificial intelligence resulted in vaccines being available for our current pandemic when a new vaccine has normally taken ten years to develop. What does that mean for the future of drug development and the associated costs?

The replacement of the internal combustion engine. It is estimated that 90% of worldwide vehicle production is expected to be electric by 2040. These countries want to see 30% of car sales as electric by 2030: Canada, Germany, New Zealand, Chile, India, Norway, China, Japan, Sweden, Finland, Mexico, The United Kingdom, France and The Netherlands. Batteries make up one third of the cost of an electric car and as they fall in price, demand for Electric cars is expected to rise.

Change is not just the future, but it is opportunity as we invest into it, as a consideration within our portfolio.

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 wishes for the rest of your summer.

National Bank Financial

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Sources: Stockcharts.com, Evolve ETFs, McKinsey and Company, Motley Fool, Reuters

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