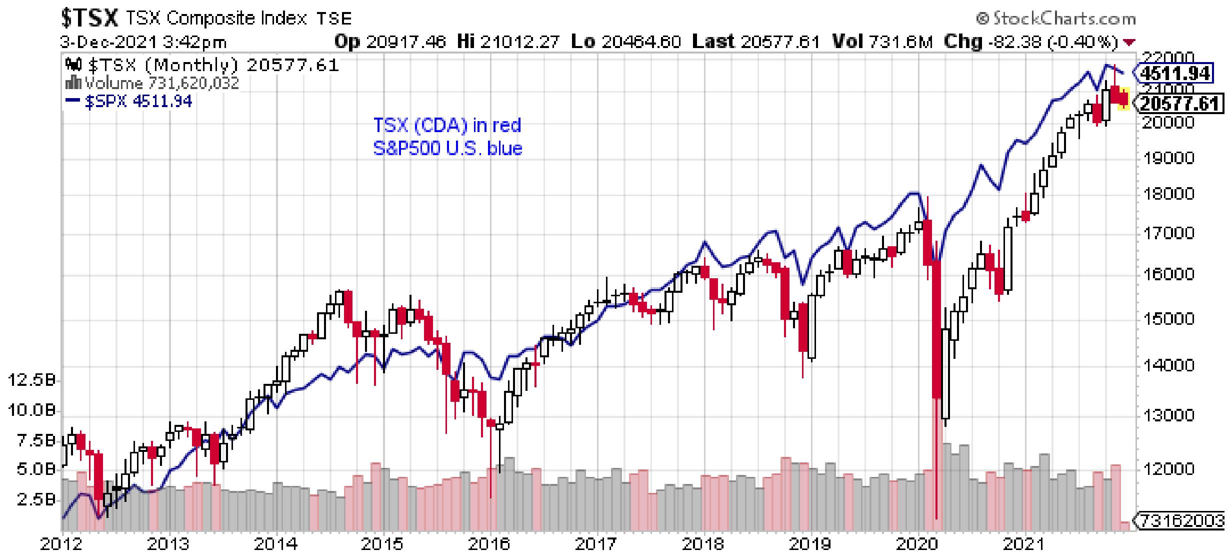
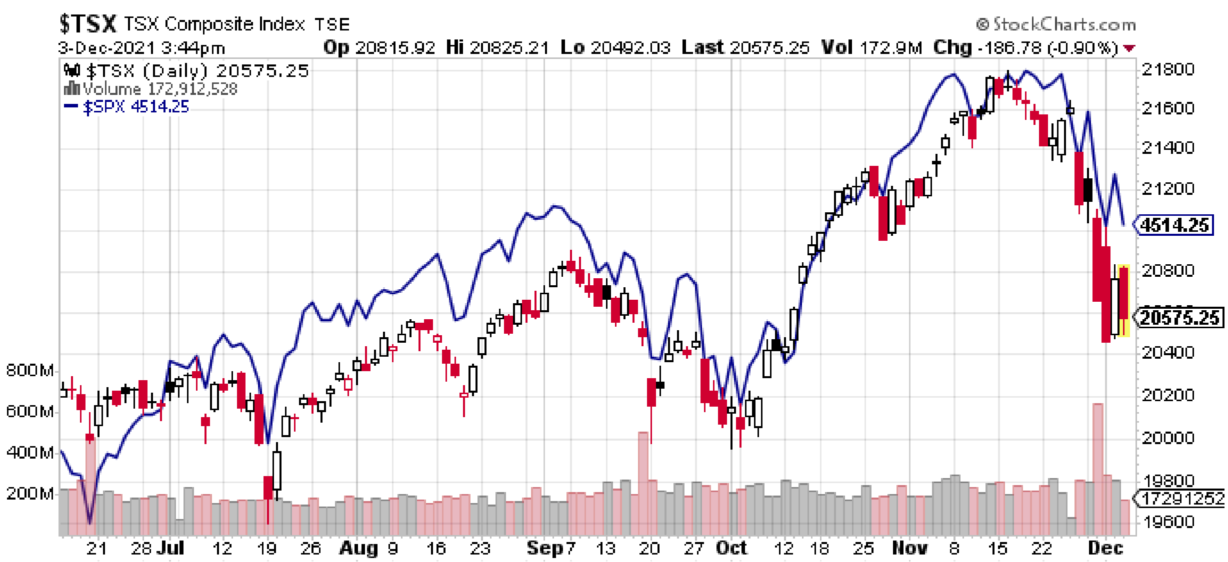
NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

R HUNTER WEALTH MANAGEMENT GROUP

Market Update December 2021



Long term perspective of investing in the stock market. The S&P 500 (blue line representing U.S.) doesn't appear as volatile largely as a result of representing a more diverse economy compared to our commodity based economy here in Canada.



Short-term perspective of investing in the stock market. September weakness is kind of normal historically, as September more often than not, has been the worst month in the calendar year. However, what is up with November? After all, the market tends to be strongest in the November through April period.

I would call this Covid 2. Markets have pulled back about <5.5%> since mid-November. I have said in past letters that I felt Covid would remain the main headwind to market growth and the latest variant Omicron, seems to have provided just that. I tend to believe that Covid will be with us for a long time and we will adapt to living with it.

While we have the luxury of vaccines, many countries in the world face problems like being densely populated and/or have governments that can't afford to vaccinate the population, resulting perhaps, in conditions that enhance mutations of the disease. Canadians are 76% vaccinated where Americans are 59% and South Africa is…..25% vaccinated. (Source: Our World in Data)

Still, while the stock market may experience near-term jitters, the underlying economy on which it is based remains pretty impressive with Canadian GDP growth +5.4%. While central bankers have been talking about rising interest rates – again, this may cause them to pause talking about raising interest rates in the new year.

Yeah Banks!

The banks reported earnings this week (ending Dec 3rd) with all of them raising their dividends and buying back their own stock. (When they do this the result is fewer shares outstanding and as a result, higher earnings per share.)

	Dividend Increase	Stock Buy Back
BNS	+11%	24 million shares
RBC	+11%	45 million shares
NA	+23%	7 million shares
TD	+13%	50 million shares
BMO	+25%	22.5 million shares

Meanwhile, The American *financial facilitators* like Visa, Mastercard, Paypal enjoy among the highest profit margins in the S&P 500. As a group, they have been correcting over the last several months. In the UK, Amazon says they won't accept Visa as of January 19th, likely as a measure to pressure Visa into reducing their processing fees for the retailer. The market is of course worried about what would happen if that thinking started to spread. Apparently, Amazon is offering members in the UK money to switch their method of payment.

While this might be a clash of titans where does it leave the consumer? I am having trouble seeing an alternative of scale, to even come close to matching the entrenchment that Visa or Mastercard enjoy among consumers. Further, could consumers really care less about going to the trouble of making a change in how they pay digitally? If I ever gave a thought to my credit card, it would be about the points I can accumulate to fly for free, not about how much Amazon had to pay to transact my payment.

	Consensus analyst targets
Mastercard	$432
Visa	$274
Paypal	$281

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
Senior Wealth Advisor

Sources: Stockcharts.com, NBF Economics, BNN, Reuters, BBC, Globe & Mail