NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

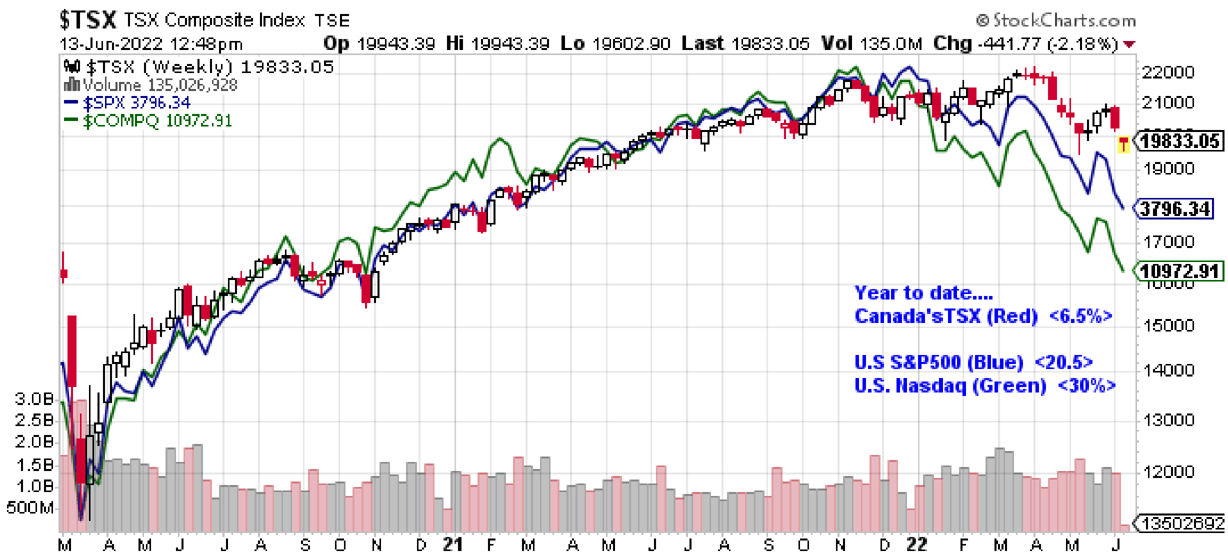
R HUNTER WEALTH MANAGEMENT GROUP

Market Update June 2022

'*What goes down, goes up', "My glass is half full'*

The U.S. stock market has outperformed the Canadian for years, largely on the strength of the innovative technology sector, which is largely responsible for market growth over the previous three years. That has changed since January, when the Canadian market started to strongly outperform the U.S. in response to rising inflation and interest rates. The resulting rotation in the market, from growth stocks (technology), to energy/commodities, has been rapid. Energy went from the poorest performing sector last year, to leadership this year.

The composition of the Canadian market is largely resource based and as a result, this pullback has largely been American and will likewise, be reflected on that side of your portfolio.



Last Thursday (June 9th), Rob Wessel of Hamilton ETFs, hosted an interesting meeting with the CEOs of both TD Bank and Royal Bank, at the Royal York Hotel in Toronto. One of my staff was in attendance.

Here are some takeaways…

- Interest rates are anticipated to rise 1.75% this year of which 1% has already occurred here in Canada through two central bank moves. That leaves another 0.75% to go and we may very well see that in July. *(The pullback in the market today (June 13th), is likely tied to concern over how much the U.S. federal reserve will jack interest rates to battle inflation this Wednesday.)*

- Soft landing or recession are both very possible and the bottom 40% of Canadian population or bottom 50-60% of Americans may struggle with liquidity issues. *(The central bankers want to battle current inflation but if they are too aggressive, they may cause the economy to recede.)*

- Both speakers agreed that either way, we are positioned well and do not expect the plane to crash but rather a bumpy landing.

- **The consumer drives the market**. Canadian consumers have amassed as much as $350B in excess savings during Covid.

- Primary risk to the average Canadian is cash flow/job loss – something that is very unlikely, as there is a significant labor shortage at the moment, acting as a mitigant.

- There is no expectation of housing market slowing down or prices reducing in any significant manner over the medium- long term, until there is a long-term change in the supply of housing in every major Canadian city, relevant to the demand.

    - Although rising rates will likely have temporary impact, it would likely not be sustained.

    - Canadian government wants to bring in an additional million immigrants next year and this is also adding pressure in the urban centers as it becomes increasingly difficult to find accommodation and adds pressure to price.

- Rising rates are not the primary issue as it relates to the current credit cycle and overall economic health in Canada

- Labor force went from working at the airport or restaurant and looked for jobs in the technology economy. Right now, capital markets are frozen and in a holding pattern and these tech companies, will not be able to successfully complete funding rounds moving forward, in order to cover losses and rising expenses. We will likely see a season of consolidation in the tech space and see disruption. Many of the expenses are from mass hiring and expansion during covid, many of these employees are expected to be let go during the squeeze; likely returning to the airport or restaurant.

- TD is investing in the Southeast as well as continuing in retail banking operations throughout America, (now owns 13.5% of Charles Schwab).

- RY is expanding through acquisition or franchising of high net worth/boutique advisory and high service level businesses, in the UK, Europe, and US.

    - Additionally, $130B is invested annually just on new content production for streaming platforms (Netflix, Disney, HBO) which is mostly produced in California. Much of these funds, flow through City National Bank which RBC owns.

June stock splits:

Amazon 20:1, June 6th

Brookfield Infrastructure 1.5:1, June 10th

Shopify 10:1, June 29th

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.

Remember. We are a phone call away.

Best,

National Bank Financial

Rob Hunter
Senior Wealth Advisor

Sources: Hamilton ETF Bankers Meeting (June 9th), Technical Speculator, Stockcharts.com, Reuters,