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With recent market volatility we wanted to reach out to address any concerns and share our views on the outlook for 2022 which are very similar to many economists that are sounding the same insights.

The markets are reacting to the talks of pending interest rate increases combined with the inflation risks to start the year. Markets will and always do react to short term news and events. All that being said, it is the fundamentals that truly drive the investment direction over the longer term and these factors remain favorable despite the current volatility. As we said in our year end newsletter there will be some volatility in the first half of '22 but the valuations, cash flows, manufacturing data, housing, unemployment, low consumer debt are positives that will provide tailwinds for our investments.

Short term volatility will always be present, but in this case the short-term volatility is creating very strong buying opportunities. Markets correct on average -10% at some point nearly every year. With our particular holdings we have downside protection and the active nature of this management means that your invested dollar is absolutely being tactically managed to take advantage of opportunities.

We never want to react to short term volatility when the underlying fundamentals are favorable... and we see no need to sell or change anything at this point.

If we feel the need to re-allocate, we will certainly be in touch.



We are in direct contact [with The Dividend Income team and their views remain "conviction in the process and commitment to staying the course"](#). They are viewing this stretch of volatility as short term in nature and are taking advantage of attractive companies that are "on sale".

Our outlook for 2022 remains positive. With the full expectation for positive returns by years end, short term dips like these typically create strong buying opportunities:

The Global backdrop:

Global economic activity remains strong despite peaking.

Economic activity likely peaked in the summer of 2021 and will face headwinds due to supply chain challenges over the coming months but overall, the global manufacturing environment remains in a resilient position with PMI index reading over 50 for much of the globe. The PMI is a very reliable leading indicator of where economies are heading. Ratings above 50 indicate economic expansion. Also, U.S. GDP is pegged at over 4% for 2022 and Canada is looking at 3.7. In 'normal' times a reading of plus 3% GDP would be considered a very strong forecast.



Most Americans' personal balance sheets improved during the pandemic. Many were able to work from home and generally spent less due to restrictions.

Those who were impacted were supported generously through wage subsidies, rent relief, and other measures. Moving forward, we can expect a normalization of sorts for the American consumer but one that remains healthy.

2022 Equity Outlook:

Earnings growth looks to be on solid footing. A continuation of the current fundamental backdrop should be supportive of earnings growth strong on a YOY (year over year) basis through 2022. We expect S&P/TSX earnings to come down from recent elevated levels but remain attractive through the first half of 2022.



Inflation will moderate but remain above pre-pandemic levels:

Our inflation model suggests CPI will trend lower from current levels of 6.8 percent but will likely stay above 3 percent through the third quarter of 2022. It is unlikely to fall to levels prior to the pandemic as wage and food inflation will likely remain persistent. Inflation will remain a concern throughout 2022 but receive nowhere near the level of attention it is receiving today.

A balanced portfolio with active management that employs a tactile and opportunistic approach will always reward an investor who understands that the markets do correct themselves and that periods of volatility create opportunity.

Hope that helps share some insights to the current start for 2022. Please don't hesitate to reach out if you have any questions... always here for you and always happy to help!

All my best,

Roger.