Market Update

October 2021

An Important Note: Five [of the many] Reasons to Ignore All the Fear-Mongers

Here are five main reasons why I remain comfortable being invested and investing in the stock market today.

First, economic growth remains strong. Economists in the US are still expecting at least 7% GDP growth in 2021 – a very high growth rate. Personal consumption rose at a much higher pace than economists expected while the continuing supply chain glitches and strong order backlogs are expected to support growth over subsequent quarters.

Second, the Federal Reserve is expected to remain accommodative with near-zero interest rates and quantitative easing. In fact, at the latest Federal Open Market Committee (FOMC) meeting, members kicked the "tapering" decision down the road, as they want to see "substantial further progress" before adjusting their quantitative easing policy. The fact of the matter is that the Fed is still laser-focused on unemployment and is placing that ahead of fighting inflation… and there is much yet to do in sorting out the job situation and the loss of workers.

Third, with the Fed remaining accommodative, it's growing more and more likely that the U.S. will not see interest rates rise quickly if at all. This can reverse quickly but as long as there remains so much cash sitting on the sidelines (institutional and personal) it is hard to see rates moving up quickly.

Fourth, not only is foreign capital pouring into the markets, and not only is domestic capital still pouring into the markets, millions of new investors have also flooded into the stock market, thanks in part to new platforms like Reddit and Robinhood. These new investors have helped propel the overall stock market higher in the past 18 months and this is expected to continue.

Fifth, we cannot discount the fact that North Americans in general are naturally optimistic. As long as our elected leaders do not "squelch" our optimism in the coming months, the " spirit" should be alive and well, which in my opinion, is why productivity soared and resulted in record sales and earnings for many companies amidst the global pandemic. I truly believe that no matter how much politicians and the media try to divide us, we want to prosper and succeed.

There will always be those out there who will try to scare you, make you question anything and everything, explain why we are on the edge of disaster and make you worry about tomorrow. My advice is to ignore them. If they are ever right, they always seem to be on a different timetable and for a different reason, and only noticed after the market has already begun to recover and head to new all-time highs.

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September was a very positive month with almost every market allocation posting positive results – the exceptions being bonds and emerging markets.

In general, the upward movement of October replaced all that was lost in September plus a bit more.

We are now one year after the early November announcement in 2020 that vaccines were soon to be available. Since November 1, 2020, the markets have risen by an impressive amount and we have participated in that appreciation.

The broader equity markets are at or near their all times high, again. The reality is that we just went through a very positive third-quarter earnings announcement season. Company after company announced strong earnings driving their share prices higher.

In addition, as most people's portfolios and home values have gone up significantly, consumers are feeling more comfortable. Consumers are feeling more confident (up significantly), and as we live in a consumer-driven economy this bodes well for the holiday season and beyond.

The concerns of supply chain disruptions, inflation and increases in interest rates all still remain. However, if companies can continue to improve efficiencies and pass on increased costs to consumers, then the companies themselves will do well, maintaining and even expanding their margins. In other words, you may see macro-economic data raise questions and concerns about the economy and its growth, all the while watching individual companies continue to prosper. The dynamics are complex and multi-faceted and we ask that you consider any headline from different perspectives. Nothing is simple and nothing neatly explains or predicts events.

Therefore, the focus should remain on managing risk and maintaining the risk level that meets one's long-term goals. As markets appreciate, we reduce our exposure not because we believe markets have peaked (we do not and we do not know) but because such an appreciation increases the risk of the portfolio and we wish to rebalance back down to the targeted long-term risk level.

And so, as always, our conclusion remains the same: focus on the longer-term. Invest for the long term. Ignore short term fluctuations. Focus on your life, your plan, your goals. At the end of the day that is all that truly matters.

We are cautiously positive in the short term, and positive in the medium and long term. We continue to hold our positions and invest cautiously.

Have a great month and let us know if there is anything we can do for you,

- Meir

Index	Month	Year to Date
Bonds FTSE Canada Universe Bond Index - CAD	-0.50%	-4.30%
Canadian Equity - S&P/TSX 60 Index - CAD	5.70%	26.00%
US Equity – S&P 500 - USD	5.60%	24.30%
International – MSCI EAFE Index - USD	3.30%	12.00%
Emerging Markets - MSCI Emerging Markets Index - CAD	-0.60%	0.50%
Real Estate - Dow Jones® Global Real Estate Index - USD	5.90%	26.20%
S&P/TSX Preferred Share Index - CAD	2.30%	18.80%

Meir J. Rotenberg, MBA, CFA®
Vice President & Investment Advisor
TD Wealth Private Investment Advice
meir.rotenberg@td.com

Adam D. Shona, B.Comm
Associate Investment Advisor
T: 416 512 7645
adam.shona@td.com

Nelson Gordon
Client Service Associate
T: 416 512 6813
nelson.gordon@td.com

TD Wealth Private Investment Advice
5140 Yonge Street, Suite 1600
North York, Ontario M2N 6L7
Tel: 416 512 6689
Fax: 416 512 6224
Cell: 416 602 1614
Toll: 800 382 4964

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[1] Bonds FTSE Canada Universe Bond Index - CAD
Canadian Equity - S&P/TSX 60 Index - CAD
US Equity – S&P 500 - USD
International – MSCI EAFE Index - USD
Emerging Markets - MSCI Emerging Markets Index - CAD
Real Estate - Dow Jones® Global Real Estate Index - USD
S&P/TSX Preferred Share Index - CAD