GLOBEINVEST
CAPITAL MANAGEMENT INC.

MARKET REVIEW

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WATCH EPISODE

MARKET COMMENTARY

Recessions are what causes a bear market. The high-yield credit spread typically starts to widen in anticipation of a credit crunch, however, the spread presently remains very subdued and is not signaling an imminent recession. Industrial companies are generally reporting solid demand trends across most end markets and geographies. We do not see a recession on the horizon.

Stock markets are forward looking and have been adjusting to the expectation of higher interest rates. The U.S. Federal Reserve’s dual mandate is to achieve stable prices and maximum sustainable employment. With the employment situation improving faster than expected and inflation remaining elevated for longer than expected, monetary policy should be getting less accommodative and interest rates moving higher.

Corporate profit growth is expected to continue this year and next. Corporations are offsetting higher input costs by raising prices and through productivity improvements to maintain profit margins. Capital spending by businesses has spiked to new highs which bodes well for the trend to continue as past periods of major capital spending have been associated with strong productivity growth.

Geopolitical tensions are contributing to heightened volatility in financial markets. Market pullbacks represent opportunities to purchase quality growth stocks and dividend growing income stocks for long term appreciation.

Christine Poole, MBA, CFA