



MARKET REVIEW

TUESDAY, MARCH 15, 2022

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MARKET COMMENTARY

The global economic landscape has changed considerably over the past few weeks. The Russian invasion of Ukraine has sent oil prices to near historical highs as well as propelling agricultural commodity prices up. Accordingly, inflation will persist and be higher over the foreseeable future.

While excluded by central banks in measuring inflation, higher energy and food costs will erode growth in real income, which will likely lead to slower growth in consumer spending. Buffers to absorb higher petroleum prices include generally solid U.S. household balance sheets and a healthy employment situation. Nonetheless, U.S. economic growth is being revised down whilst it is still expected to remain positive. The outlook for the Eurozone is more dire given its proximity and dependence on Russian imported crude oil and natural gas.

The combination of slower growth and higher inflation amidst a robust job market poses a dilemma for the central banks in the U.S. and Canada. With employment near pre-COVID levels, the focus will shift to achieve price stability and interest rates will move higher.

Geopolitical tensions will keep volatility at an elevated level in financial markets. Focus on owning income stocks with a visible path to dividend increases and quality growth stocks with strong balance sheets and pricing power.

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