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MARKET REVIEW

FRIDAY, NOVEMBER 18, 2022

WATCH EPISODE

MARKET COMMENTARY

Financial markets are being swayed by datapoints and commentaries that may provide insight into the future direction of interest rates. Global monetary tightening is well underway with many central banks moving closer to their respective terminal policy rates.

While inflation looks to have peaked and is less acute, it remains well above the Fed’s stated policy range. Amidst a reasonably healthy employment situation, a Fed “pivot” does not appear requisite over the foreseeable future. Acknowledgement by central banks of the lags with which monetary policy affects economic activity is encouraging, suggesting the pace of interest rate increases may slow.

Consumer spending has been resilient with household income being supplemented by savings accumulated during the pandemic. However, many of the factors underpinning spending are not sustainable on a long-run basis. Savings are being drawn down and the saving rate has dropped sharply to a near historical low. On the other hand, credit card debt has risen markedly back to pre-pandemic levels. For now, while on the rise, delinquency rates remain low by historical standards. Should a softer labour market materialize, a retrenchment in consumer spending will inevitably follow.

Equity markets will go through periods of volatility which are beyond our control. However, investors can control how they react. Stock markets rise and fall, but notably, history shows that over the long term, they go up more than they go down.

Staying invested maximizes wealth creation over the long run through owning a diversified investment portfolio tailored to meet your risk tolerance level, return objectives, and liquidity needs.

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