



## MARKET REVIEW

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### MARKET COMMENTARY

Accommodative central bank policy and additional fiscal stimulus provide a favourable backdrop for equities. The rollout of vaccine distribution programs globally combined with a more structured testing protocol in many countries is crystallizing the prospect of economies reopening later this year.

The path to recovery will undoubtedly be bumpy, but assuredly economic conditions will be much improved from last year. While the recent increase in Treasury bond yields and steepening yield curve is causing some angst, it is also a sign of a strengthening growth outlook. From a historical perspective, bond yields remain very low with the 10-year U.S. Treasury Inflation-Protected Security (TIPS) still in negative territory.

Better than expected corporate earnings for the S&P500 companies have also been a tailwind for stocks with Q4 2020 marking the first quarter of year-over-year earnings growth since Q4 2019. Continued profit growth will be necessary to sustain elevated valuation multiples.

Market pullbacks are inevitable and healthy at times to rein in overexuberance. We will take advantage of price dislocations to purchase companies well-positioned to grow through the cycle.

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