



MARKET REVIEW

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MARKET COMMENTARY

The outlook for the global economic growth continues to improve driven by increased production of several approved vaccines and swift distribution in many countries.

The extension of government income support programs and the additional fiscal stimulus package in the U.S. augers well for consumers and businesses until a self-sustaining recovery takes hold. With household net worth in both Canada and the U.S. at record highs, consumers are well-positioned to deploy spending as economies and service industries reopen.

The speed at which bond yields have risen in recent months was unexpected and can be attributed to a steeper trajectory of the economic recovery than originally forecast. While the 10-year U.S. Treasury bond yield is back to its pre-pandemic level, it remains very low from a historical perspective.

Core inflation is a key factor influencing monetary policy decisions by central banks. Inflation will firm as economic growth strengthens however it needs to rise meaningfully on an ongoing basis before the U.S. Fed will deviate from its current path. An accommodative policy stance is expected to prevail until there is a substantial recovery in the labour market.

We remain constructive on equities as corporate profit growth is accelerating and broadening across industry sectors, providing valuation support for further price gains.

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