

2020 Economic Review and 2021 Forecast

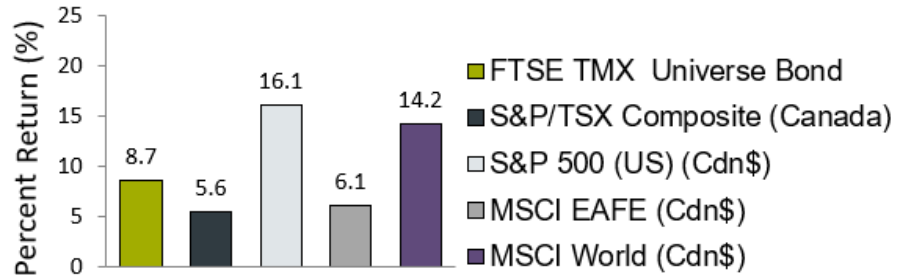
2020 will be remembered as an historic year. The global pandemic sent world economies into recession, ending the longest bull market in history. Even with the pandemic continuing, markets recovered to post positive returns by year end. The U.S. stock market was again a very strong performer, with the S&P 500 Index realizing a rate of return of 16.1%.

Canada's stock market lagged the rest of the world, with the S&P/TSX Composite Index posting a 5.6% return.

The FTSE TMX Universe Bond Index realized a 8.7% return.

International markets showed a 6.1% return for the MSCI EAFE Index, and the global equity benchmark, the MSCI World Index, posted a 14.2% return.

The graph (right) indicates the one-year returns of these major market indices, as of December 31, 2020.



Factors affecting 2020 financial markets

Global Pandemic: The 1st cases of COVID-19 arrived in North America in the 3rd week of January. International and Emerging Markets sold off, but it was not until March that U.S. and Canadian markets reacted. Both then moved with historic speed, resulting in the fastest bear market in history. The markets bottomed out on March 23rd and then recovered over the rest of the year.

Interest Rates: Central bankers around the world lowered already low rates even further, to historic lows.

Government Spending: Governments around the world pumped trillions of dollars in new spending into their economies.

Vaccine Development: There are 171 vaccine studies underway around the world. Before the end of the year, several (including two in Canada) were being shipped and injected into the most vulnerable citizens. Towards the end of the year, good news on vaccines moved markets up one day, followed by bad news the next day sending markets back down.

U.S. Presidential Election: The U.S. election eventually led to the election of Joe Biden and a sweep for the Democrats. It was not without controversy, which did lead to additional volatility in the markets.

2021 forecast

COVID-19 will continue to dominate the news and the markets in 2021. The additional development of vaccines and their manufacturing and distribution will play a major role in market performance this year.

We do not expect big moves either way in interest rates in the next year and there will also be the continued need for government spending to support individuals and businesses. This will likely lead to positive returns in most markets, with likely lower returns in fixed income.

Your portfolio review

While all types of investments did show positive returns in 2020, we suggest that you work with your financial advisor or Reuter Benefits' team of licensed professionals to periodically review your investment portfolio, to ensure you have the correct level of risk that is well positioned to withstand any market volatility. Reuter Benefits can be reached at 1-800-666-0142 or via email at retire@reuterbenefits.com.