

## 2021 Economic Review and 2022 Forecast

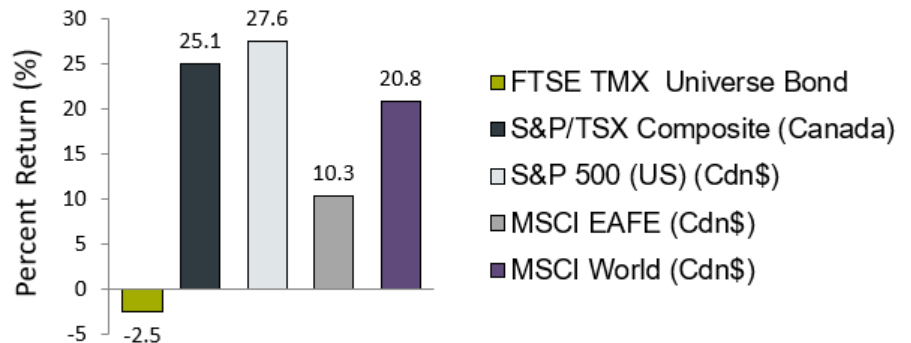
Markets around the world continued to experience volatility throughout the year. The U.S. stock market was again a very strong performer, with the S&P 500 Index realizing a rate of return of 27.6%

Canada's stock market was close behind the US, with the S&P/TSX Composite Index posting a 25.1% return.

The FTSE TMX Universe Bond Index was negative on the year at -2.5%.

International markets showed a 10.3% return for the MSCI EAFE Index, and the global equity benchmark, the MSCI World Index, posted a 20.8% return.

The graph (right) indicates the one-year returns of these major market indices, as of December 31, 2021.



### Factors affecting 2021 financial markets

- **Global Pandemic:** The pandemic had two major waves: Delta in the summer and Omicron at the end of the year.
- **Inflation:** Annual Canadian Inflation hit an 18-year record in November, at 4.7%.
- **Government Spending:** Governments around the world continued to spend trillions of dollars as each wave sent economies back into lockdown.
- **Market Drivers:** Energy, Financials and Information Technology led the way, both in Canada and in the US.
- **Rotation to Value investing:** For the first time in many years, Value investing outperforms Growth investing.

### 2022 forecast

COVID-19 will continue to dominate the news and the markets in at least the first half of the year.

An additional factor is the return of Geo-political risks, with Russia at the Ukraine border and the possible return of tension between China and the West.

The other major story will undoubtedly be interest rates. Rates were likely to head higher before the return of inflation. We now feel with a reasonable amount of certainty that we will see several rate increases throughout 2022.

### Your portfolio review

While all types of investments did show positive returns in 2021, we suggest that you work with your financial advisor or with 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](mailto:retire@reuterbenefits.com).