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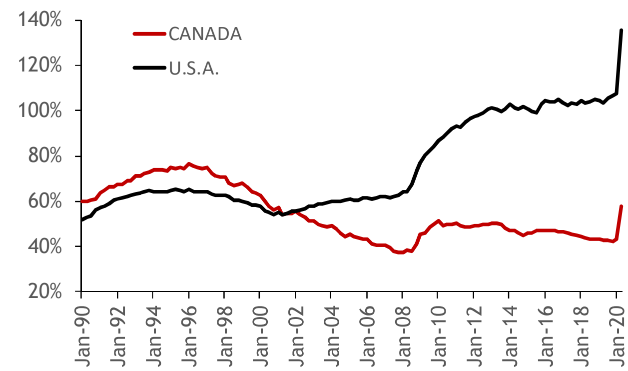
THE HANGOVER

MICHAEL O'CALLAGHAN, MBA, CFA

DIRECTOR, EQUITIES

INVESTMENT STRATEGY GROUP

FEDERAL GOVERNMENT DEBT-TO-GDP RATIO



Source: Bloomberg;

In January, it seemed that little could go wrong for the North American economies. Low unemployment, inflation, interest rates, and a confident consumer, suggested the year would end as it began - strongly.

The outbreak of COVID-19 in China and the spread of the virus to the rest of the world has left the North American economies looking quite unlike they did in January. The economic damage caused by lockdowns imposed by governments on the free people of the world may not easily be repaired. To be sure, entrepreneurs have been among the hardest hit by the economic downturn caused by the outbreak. With small businesses expected to be a substantial source of economic growth, this may weigh on GDP growth in 2021 and beyond. However, the announcement in November of the development of vaccines for COVID-19, each having demonstrated a success rate of over 90% in clinical trials, has been welcomed by investors. The resulting surge in the financial markets shows how important this has been in helping to restore confidence. However, everything has its price.

In response to the COVID-19 lockdowns, federal governments of the world's countries provided financial support for those sectors of their respective economies that were most severely affected. Whether it was CERB in Canada or the Paycheck Protection Program in the United States, this provided much-needed support to those who had been laid off by their employers and who had no other source of income. This enabled those who had been laid off to pay their bills but it has weakened sovereign balance sheets as deficits have soared. Consider that in Canada prior to 2020, the largest deficit ever posted by the Canadian government was $55.6 billion. This was booked under prime minister Stephen Harper in response to the financial crisis. Due to COVID-19, Canada's expected deficit for 2020 is $343.1 billion – more than six times that of 2009. For 2021, a deficit of over $250 billion has been projected by the Parliamentary Budget Office. In the U.S., the deficit has reached a record US$3.3 trillion. With President-elect Joe Biden pledging to continue massive spending due to COVID-19, an even higher deficit seems likely next year. Perhaps the recent sharp move up in Canada and the U.S. debt to GDP (a measure used to assess a nation's creditworthiness) might mean more fiscal restraint, however, this seems unlikely.

Record-low interest rates have made all this government spending possible and few are questioning the ability of governments to service their debt should interest rates begin to move back up and eventually normalize at their pre-financial-crisis levels. When the financial crisis began in 2007, Canadian and U.S. government 10-year bonds yielded 4.2% and 4.6%, respectively, and have fallen to respective levels of 0.67% and 0.84%. With governments so highly indebted, a move back to pre-crisis levels or even to half these levels could have serious consequences for the ability of governments to service their debt. The common belief is that central banks will act to keep rates low but for how long will they? Already there are those calling for rate hikes in 2021. Consider also that consumer and household debt levels are also extremely high, so higher rates would also make it harder for the consumer to continue sustaining current purchasing levels.

With such high levels of government debt in Canada and the U.S., it seems reasonable to expect that large tax hikes are coming, leaving corporations and consumers with less spending power. So although there are those who look to 2021 as a year that will take us back to where we were in January, the price of 2020's spending may prove otherwise. So, Canadians should maximize contributions to tax-sheltered accounts including RRSPs, RESPs, and TSFAs to protect portfolios from the hangover that should result from this unprecedented government spending.

Unless otherwise noted, all prices quoted in this report are as of the close of markets on November 24, 2020.

MARKET RETURN DATA

		Price Performance (% Change)				Price Performance (% Change - Annualized)						
North American Indices	Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	17,190	10.3	4.1	13.1	0.7	0.9	6.4	2.3	5.0	2.9	3.1	3.4
Total Return		10.6	4.9	15.0	3.8	4.3	9.8	5.6	8.3	6.0	6.2	6.1
S&P/TSX Preferred Share Index	604	4.7	3.5	17.8	-1.9	0.1	-2.9	-5.6	-1.2	-3.4	-3.3	N/A
Total Return		5.2	4.9	21.3	3.7	6.2	2.7	-0.4	4.2	1.7	1.9	N/A
S&P 500 Index	3,622	10.8	3.5	19.0	12.1	15.3	14.5	11.0	11.7	11.9	7.4	5.2
Total Return		10.9	3.9	20.0	14.0	17.5	16.8	13.2	14.0	14.2	9.6	7.3
Dow Jones Industrial Average	29,639	11.8	4.3	16.8	3.9	5.7	7.7	6.9	10.8	10.4	7.0	5.4
Total Return		12.1	4.7	18.0	6.1	8.1	10.3	9.4	13.5	13.2	9.7	8.0
Nasdaq Composite Index	12,199	11.8	3.6	28.5	36.0	40.8	29.0	21.1	19.0	17.2	12.0	8.0

		Price Performance (% Change)				Price Performance (% Change - Annualized)						
International Indices	Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Euro 500	260	14.4	7.1	11.9	-6.2	-4.3	3.9	-0.0	-0.1	3.5	1.3	0.0
FTSE Eurotop 100	2,825	14.4	5.6	8.1	-10.4	-8.8	1.6	-1.6	-1.3	2.4	0.4	-1.2
FTSE 100 (England)	6,266	12.4	5.1	3.1	-16.9	-14.7	-5.3	-5.1	-0.3	1.3	1.0	0.1
Dax (Germany)	13,291	15.0	2.7	14.7	0.3	0.4	8.7	0.7	3.1	7.1	6.5	3.7
CAC 40 (France)	5,519	20.1	11.5	17.5	-7.7	-6.5	5.0	0.9	2.2	4.3	1.3	-0.4
MSCI World	2,583	12.7	5.2	20.3	9.5	12.7	12.5	7.5	8.8	8.0	5.1	3.9
MSCI Emerging Markets	1,205	9.2	9.4	29.5	8.1	15.9	10.1	2.4	8.2	1.1	4.0	6.7
Total Return	2,841	9.3	9.8	31.4	10.5	18.8	13.1	5.3	11.1	4.0	6.9	9.7
MSCI EAFE	2,054	15.4	7.5	19.1	0.8	4.0	6.5	0.6	3.4	3.0	1.7	1.8
Total Return	8,943	15.5	8.1	20.3	3.5	6.8	9.9	3.8	6.7	6.3	5.0	4.9
Nikkei 225 (Japan)	26,434	15.0	14.2	20.8	11.7	13.5	8.7	5.2	6.0	10.3	3.9	3.0
Hang Seng (Hong Kong)	26,341	9.3	4.6	14.7	-6.6	-0.0	-0.3	-3.4	3.7	1.4	3.9	3.2
ASX 200 (Australia)	6,518	10.0	7.5	13.2	-2.5	-4.8	7.2	3.0	4.8	3.6	2.3	3.5
Taiwan Weighted	13,723	9.4	9.0	25.4	14.4	19.4	17.8	9.1	10.5	5.1	5.4	4.9
Sensex 30 (India)	44,655	12.7	15.6	37.7	8.2	9.5	11.1	10.4	11.3	8.6	11.4	12.8

		Price Performance (% Change)				Price Performance (% Change - Annualized)						
Index Returns In Canadian Dollars	Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	17,190	10.3	4.1	13.1	0.7	0.9	6.4	2.3	5.0	2.9	3.1	3.4
Total Return		10.6	4.9	15.0	3.8	4.3	9.8	5.6	8.3	6.0	6.2	6.1
S&P 500 Index	4,700	7.7	3.0	11.8	12.1	12.7	13.1	11.2	11.1	14.5	8.1	4.3
Total Return		7.9	3.4	12.8	14.0	14.8	15.3	13.4	13.3	16.9	10.4	6.4
Dow Jones Industrial Average	38,462	8.8	3.7	9.7	3.8	3.2	6.4	7.1	10.2	13.0	7.7	4.5
Total Return		9.1	4.2	10.9	6.1	5.6	8.9	9.6	12.9	15.9	10.5	7.1
Russell 2000	2,362	15.1	15.9	22.7	9.1	9.5	7.6	5.8	8.1	12.2	7.6	6.4
Nasdaq Composite Index	15,830	8.8	3.1	20.8	35.9	37.5	27.4	21.3	18.3	20.0	12.8	7.1
Bloomberg Euro 500	403	14.2	6.7	13.3	-0.2	1.5	5.5	0.3	1.9	5.1	2.1	0.8
EURO STOXX 50	5,418	17.9	6.3	15.9	-0.7	-0.0	6.5	-0.4	1.8	4.3	0.9	-0.8
Total Return		17.9	6.5	16.9	1.2	2.0	9.1	2.1	4.5	7.3	3.9	1.9
MSCI World	3,352	9.6	4.7	13.0	9.5	10.1	11.1	7.7	8.2	10.6	5.8	3.0
MSCI Emerging Markets	1,564	6.2	8.9	21.7	8.1	13.2	8.7	2.6	7.5	3.5	4.7	5.9
Total Return		6.3	9.2	23.5	10.5	16.1	11.7	5.5	10.5	6.4	7.6	8.8
MSCI EAFE	2,665	12.2	7.0	11.9	0.8	1.6	5.2	0.8	2.8	5.4	2.4	0.9
Total Return		12.4	7.5	13.1	3.4	4.4	8.5	4.0	6.1	8.9	5.7	4.0
MSCI Far East	5,002	9.4	9.5	10.6	5.6	5.5	5.9	2.1	4.8	6.7	2.8	0.9

	Price as of					
Commodities	30-Nov-20	-1 Month	-3 Months	-6 Months	-12 Months	YTD (%)
Gold Spot (US$/oz)	1,777	1,879	1,968	1,730	1,464	17.1%
Silver (US$/oz)	22.64	23.66	28.14	17.87	17.03	26.8%
Brent Crude Oil	47.59	37.46	45.28	35.33	62.43	-27.9%
West Texas Intermediate Oil	45.34	35.79	42.61	35.49	55.17	-25.7%
NYMEX Natural Gas	2.88	3.35	2.63	1.85	2.28	31.7%
Spot Nat. Gas (AECO Hub - USD)	2.21	2.51	1.99	1.44	2.06	29.2%
Lumber	636.80	495.60	928.00	367.10	416.60	57.1%
Copper 3-month	3.44	3.05	3.02	2.44	2.66	22.8%
Nickel 3-month	7.27	6.87	6.97	5.59	6.20	14.3%
Aluminum 3-month	0.93	0.84	0.82	0.70	0.80	13.0%
Zinc 3-month	1.27	1.14	1.14	0.90	1.03	22.8%

	Yields as of				
Yields	30-Nov-20	-1 Month	-3 Months	-6 Months	-12 Months
Canada 3-month T-Bills	0.12	0.09	0.15	0.18	1.65
Canada 5yr Notes	0.43	0.40	0.39	0.40	1.49
Canada 10yr Notes	0.67	0.66	0.62	0.53	1.46
Canada 30yr Bonds	1.17	1.25	1.16	1.12	1.56
U.S. 3-month T-Bills	0.07	0.09	0.09	0.12	1.57
U.S. 5yr Notes	0.36	0.38	0.27	0.30	1.63
U.S. 10yr Notes	0.84	0.87	0.70	0.65	1.78
U.S. 30yr Bonds	1.57	1.66	1.47	1.41	2.21

		Performance (% Change)				
Currencies	Price	1 Month	3 Months	6 Months	12 Months	YTD
CAD/USD	0.7692	2.5	0.4	6.0	2.2	-0.1
EURO/CAD	1.5513	-0.0	-0.4	1.3	6.0	6.5
EURO/USD	1.1927	2.4	-0.1	7.3	8.3	6.4
USD/YEN	104.3100	-0.3	-1.5	-3.1	-4.7	-4.0
Trade Weighted U.S. Dollar	91.8690	-2.3	-0.3	-6.6	-6.5	-4.7

Strategic Asset Allocation (in C$)		Performance (% Change - Before Fees)				
(Global Equity/Cdn. Equity/Bonds/Cash)		1 Month	3 Months	6 Months	12 Months	YTD
Capital Preservation	(5/15/60/20)	2.7%	1.3%	4.4%	5.7%	6.3%
Income	(10/20/60/10)	3.7%	1.8%	5.9%	6.4%	7.0%
Income & Growth	(20/25/50/5)	5.1%	2.5%	7.8%	7.1%	7.5%
Growth	(40/25/35/0)	6.9%	3.5%	10.2%	8.5%	8.5%
Aggressive Growth	(60/25/15/0)	8.7%	4.4%	12.5%	9.6%	9.2%

	Total Return % Change				
Bond Returns	1 Month	3 Months	6 Months	12 Months	YTD
FTSE Canada Bond Universe Index	1.0	0.6	2.4	7.0	8.3
FTSE Canada Long Term Bond Index	2.4	0.9	3.7	8.7	11.5
FTSE Canada Mid Term Bond Index	0.5	0.5	2.1	8.2	9.4
FTSE Canada Short Term Bond Index	0.2	0.4	1.5	4.9	5.0

S&P/TSX GICs	Price Performance (% Change)					Index
Sectors	1 Month	3 Months	6 Months	12 Months	YTD	Weight (%)
Consumer Discret.	14.4	16.0	25.1	4.5	8.4	3.7
Consumer Staples	2.6	1.8	2.4	-1.7	3.7	3.9
Energy	18.6	-0.2	-3.0	-26.8	-30.8	11.4
Integrated Oil & Gas	38.6	1.2	-6.9	-47.5	-49.7	1.9
Oil&Gas Expl. & Prod	33.0	12.7	20.2	-22.1	-32.7	2.2
Pipeline	10.9	-3.8	-7.5	-20.4	-22.7	6.9
Financials	16.3	9.3	20.7	-7.1	-4.5	30.5
Banks	14.9	7.9	20.5	-7.7	-3.8	20.6
Insurance	15.9	11.8	27.6	-10.7	-11.4	4.4
Real Estate	12.6	12.1	18.0	-13.0	-10.5	3.2
Health Care	35.0	32.5	19.6	-13.6	-14.8	1.3
Industrials	7.7	7.0	19.2	12.6	12.3	12.1
Information Tech.	14.4	1.8	22.8	80.5	75.0	10.0
Materials	-4.8	-9.7	5.8	21.4	16.0	13.6
Gold	-12.5	-19.8	-7.3	25.3	19.2	8.9
Base Metals	19.0	32.1	70.9	18.3	4.7	0.6
Fertilizers	18.4	32.7	36.4	2.2	3.1	1.5
Communication Serv.	7.5	2.6	1.3	-9.0	-6.7	5.0
Utilities	5.4	10.3	13.2	9.7	10.1	5.1

All data is sourced from Bloomberg unless otherwise noted. Data as of November 30, 2020.
Data source: Bloomberg

CIBC World Markets Interest Rate Outlook

Interest Rates (%) - End of Qtr.		Nov 24, 2020	Mar/21	Jun/21
3-month T-Bill	Canada	0.10	0.25	0.35
	U.S.	0.07	0.25	0.25
10-year Gov't Bond Yield	Canada	0.72	0.80	0.85
	U.S.	0.88	1.00	1.10
US$/C$		0.77	0.76	0.75

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic Outlook		2019A	2020F	2021F
Real GDP Growth (% Chg)	Canada	1.7	-5.5	4.1
	U.S.	2.2	-3.7	3.4
Consumer Price Index (% Chg)	Canada	1.9	0.7	1.7
	U.S.	1.8	1.2	2.4

Source: CIBC World Markets Inc.