

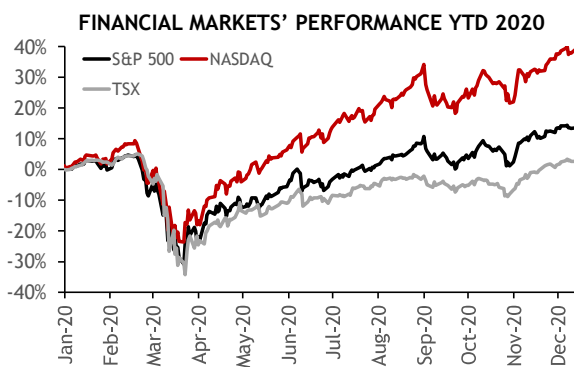


January 2021

LOOKING BACK AT 2020, THOUGHTS FOR 2021

When 2020 began, 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 be good.

The outbreak of COVID-19 in China and the spread of the virus to the rest of the world has left the global economies damaged but not broken. Despite the economic impact of the shutdowns imposed by governments on the free peoples of the world, it appears that corporate profits have not fared as badly as was initially suspected. The drop in financial markets to their lows in March saw the S&P 500, NASDAQ and the S&P/TSX Composite Index drop roughly 34%, 30% and 38% from their respective pre-COVID levels, making many investors skeptical when these markets initially began to recover. Since then, technology stocks appear to have been the big winners as the markets recovered and the work-from-home world increasingly shopped from home. A more resilient and well diversified U.S. economy saw U.S. equities outperform Canadian equities, despite uncertainty over a contentious U.S. presidential election.



Source: Bloomberg

Although the financial markets and corporate profit expectations seem to be recovering due to expectations of vaccine availability, in Canada certain sectors such as Financials, Communication Services, Real Estate and Energy have not fully recovered to their pre-COVID levels. In the U.S., Utilities, Real Estate, Financials and Energy still have not fully recovered. This may provide opportunity for outperformance in portfolios in 2021. In 2021, investors need to be mindful of the staggering deficits run by most developed countries in 2020 in fighting COVID-19 and the even larger deficits expected for 2021. Eventually this will have to be paid for and this means higher taxes sooner or later. At some point, this total dependency on government handouts to keep the economy going must come to an end - it should be the economy helping to fund the government, not the government funding the economy. How long this can continue depends on the willingness of central banks to maintain low interest rates to enable massive government borrowing and the ability of governments to pay the cost of servicing their soaring levels of debt.

With interest rates so low, it seems reasonable to assume that in 2021 rates will move higher but still remain low as watchful central banks balance this with the economic impact. A continued low-yield environment would provide little incentive for investors to increase exposure to fixed income securities in portfolios. Even though equities are trading above their longer-term valuations, yield-focused investors may be forced to look to equities to provide income in portfolios, given the present yield advantage of equities over bonds. However, with the still uncertain nature of the economy as the world deals with COVID-19 and the distribution of vaccines begins, investors should favour yields from those companies with businesses which, in uncertain times and good times, have more reliable revenue and earnings profiles. Financials and Utilities are among those sectors that meet this description. Interestingly, these are two of the sectors that CIBC World Markets recommends overweighting in portfolios as we head into an uncertain 2021.

CIBC RECOMMENDED SECTOR WEIGHTS

Financials	Overweight
Materials	Overweight
Utilities	Overweight
Communication Services	Marketweight
Consumer Discretionary	Marketweight
Consumer Staples	Marketweight
Industrials	Marketweight
Information Technology	Marketweight
Real Estate	Underweight
Healthcare	Underweight
Energy	Underweight

Source: CIBC World Markets

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Unless otherwise noted, all prices quoted in this report are as of the close of markets on December 21, 2020.

MARKET RETURN DATA

North American Indices		Price Performance (% Change)					Price Performance (% Change - Annualized)					
		Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years
S&P/TSX Composite	17,433	1.4	8.1	12.4	2.2	2.2	10.3	2.5	6.0	2.6	2.9	3.4
Total Return		1.7	9.0	14.1	5.6	5.6	13.9	5.7	9.3	5.8	6.0	6.2
S&P/TSX Preferred Share Index	616	2.0	5.8	16.2	0.1	0.1	-1.0	-4.9	-1.1	-3.2	-3.2	N/A
Total Return		2.4	7.3	19.5	6.2	6.2	4.8	0.4	4.2	2.0	2.0	N/A
S&P 500 Index	3,756	3.7	11.7	21.2	16.3	16.3	22.4	12.0	12.9	11.6	7.6	5.4
Total Return		3.8	12.1	22.2	18.4	18.4	24.8	14.2	15.2	13.9	9.9	7.5
Dow Jones Industrial Average	30,606	3.3	10.2	18.6	7.2	7.2	14.5	7.4	11.9	10.2	7.2	5.4
Total Return		3.4	10.7	19.8	9.7	9.7	17.3	9.9	14.7	13.0	10.0	7.9
Nasdaq Composite Index	12,888	5.7	15.4	28.1	43.6	43.6	39.4	23.1	20.8	17.1	12.5	8.6

International Indices		Price Performance (% Change)					Price Performance (% Change - Annualized)					
		Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years
Bloomberg Euro 500	265	2.2	11.4	11.0	-4.1	-4.1	8.1	0.5	1.4	3.2	1.2	0.2
FTSE Eurotop 100	2,882	2.0	9.8	6.8	-8.5	-8.5	5.6	-1.1	0.2	2.2	0.3	-1.0
FTSE 100 (England)	6,461	3.1	10.1	4.7	-14.3	-14.3	-2.0	-5.6	0.7	0.9	0.9	0.2
Dax (Germany)	13,719	3.2	7.5	11.4	3.5	3.5	14.0	2.0	5.0	7.1	6.4	3.9
CAC 40 (France)	5,551	0.6	15.6	12.5	-7.1	-7.1	8.3	1.5	3.7	3.9	1.1	-0.3
MSCI World	2,690	4.1	13.6	22.2	14.1	14.1	19.5	8.5	10.1	7.7	5.2	4.0
MSCI Emerging Markets	1,291	7.2	19.3	29.8	15.8	15.8	15.6	3.7	10.2	1.2	4.1	7.0
Total Return	3,052	7.4	19.8	31.4	18.7	18.7	18.8	6.6	13.2	4.0	7.0	9.9
MSCI EAFE	2,148	4.6	15.7	20.6	5.4	5.4	11.7	1.5	4.6	2.6	1.6	1.8
Total Return	9,361	4.7	16.1	21.8	8.3	8.3	15.2	4.8	8.0	6.0	5.0	5.0
Nikkei 225 (Japan)	27,444	3.8	18.4	23.1	16.0	16.0	17.1	6.4	7.6	10.4	3.6	3.5
Hang Seng (Hong Kong)	27,231	3.4	16.1	11.5	-3.4	-3.4	2.6	-3.1	4.4	1.7	4.1	3.0
ASX 200 (Australia)	6,587	1.1	13.3	11.7	-1.5	-1.5	8.0	2.8	4.5	3.3	2.2	3.7
Taiwan Weighted	14,733	7.4	17.7	26.8	22.8	22.8	23.1	11.4	12.1	5.1	5.6	5.8
Sensex 30 (India)	47,751	6.9	25.4	36.8	15.8	15.8	15.1	11.9	12.8	8.8	11.4	13.2

Index Returns In Canadian Dollars		Price Performance (% Change)					Price Performance (% Change - Annualized)					
		Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years
S&P/TSX Composite	17,433	1.4	8.1	12.4	2.2	2.2	10.3	2.5	6.0	2.6	2.9	3.4
Total Return		1.7	9.0	14.1	5.6	5.6	13.9	5.7	9.3	5.8	6.0	6.2
S&P 500 Index	4,796	2.0	7.1	13.6	14.4	14.4	18.5	12.6	11.2	14.4	8.3	4.5
Total Return		2.2	7.6	14.6	16.5	16.5	20.8	14.8	13.4	16.8	10.6	6.6
Dow Jones Industrial Average	39,078	1.6	5.7	11.2	5.5	5.5	10.9	7.9	10.2	13.0	7.9	4.5
Total Return		1.7	6.2	12.4	7.9	7.9	13.5	10.5	12.8	15.8	10.7	7.1
Russell 2000	2,521	6.8	25.6	28.5	16.4	16.4	17.1	9.3	9.9	12.5	8.1	6.4
Nasdaq Composite Index	16,456	4.0	10.7	20.1	41.3	41.3	34.9	23.8	18.9	20.1	13.2	7.7
Bloomberg Euro 500	414	2.8	11.4	13.2	2.7	2.7	8.2	1.6	2.2	4.9	2.0	0.7
EURO STOXX 50	5,545	2.4	11.3	12.0	1.6	1.6	8.8	1.7	2.5	4.1	0.8	-1.0
Total Return		2.4	11.4	12.6	3.7	3.7	11.4	4.2	5.1	7.1	3.8	1.7
MSCI World	3,435	2.5	9.0	14.6	12.2	12.2	15.7	9.1	8.4	10.4	5.9	3.2
MSCI Emerging Markets	1,649	5.4	14.5	21.7	14.0	14.0	11.9	4.2	8.5	3.7	4.8	6.1
Total Return		5.7	14.9	23.2	16.8	16.8	15.0	7.1	11.4	6.6	7.6	9.1
MSCI EAFE	2,742	2.9	11.0	13.1	3.7	3.7	8.2	2.1	2.9	5.2	2.3	1.0
Total Return		3.0	11.4	14.2	6.5	6.5	11.6	5.3	6.3	8.7	5.6	4.1
MSCI Far East	5,122	2.4	10.5	13.7	8.2	8.2	9.1	3.5	4.5	6.6	2.5	1.4

Commodities							Yields					
	31-Dec-20	-1 Month	-3 Months	-6 Months	-12 Months	YTD (%)		31-Dec-20	-1 Month	-3 Months	-6 Months	-12 Months
Gold Spot (US\$/oz)	1,898	1,777	1,886	1,781	1,517	25.1%	Canada 3-month T-Bills	0.06	0.12	0.14	0.20	1.66
Silver (US\$/oz)	26.40	22.64	23.24	18.21	17.85	47.9%	Canada 5yr Notes	0.39	0.43	0.36	0.37	1.69
Brent Crude Oil	51.80	47.59	40.95	41.15	66.00	-21.5%	Canada 10yr Notes	0.68	0.67	0.56	0.53	1.70
West Texas Intermediate Oil	48.52	45.34	40.22	39.27	61.06	-20.5%	Canada 30yr Bonds	1.21	1.17	1.11	0.99	1.76
NYMEX Natural Gas	2.54	2.88	2.53	1.75	2.19	16.0%	U.S. 3-month T-Bills	0.06	0.07	0.09	0.13	1.54
Spot Nat. Gas (AECO Hub - USD)	1.95	2.21	1.36	1.41	1.71	14.0%	U.S. 5yr Notes	0.36	0.36	0.28	0.29	1.69
Lumber	873.10	636.80	612.20	435.70	405.30	115.4%	U.S. 10yr Notes	0.91	0.84	0.68	0.66	1.92
Copper 3-month	3.52	3.44	3.03	2.73	2.80	25.8%	U.S. 30yr Bonds	1.64	1.57	1.46	1.41	2.39
Nickel 3-month	7.54	7.27	6.58	5.81	6.36	18.5%						
Aluminum 3-month	0.90	0.93	0.80	0.73	0.82	9.4%						
Zinc 3-month	1.25	1.27	1.09	0.93	1.03	21.1%						

Currencies		Performance (% Change)				
	Price	1 Month	3 Months	6 Months	12 Months	YTD
CAD/USD	0.7859	2.2	4.7	6.7	2.1	2.1
EURO/CAD	1.5555	0.3	-0.4	2.0	6.8	6.8
EURO/USD	1.2216	2.4	4.2	8.7	8.9	8.9
USD/YEN	103.2500	-1.0	-2.1	-4.3	-4.9	-4.9
Trade Weighted U.S. Dollar	89.9370	-2.1	-4.2	-7.7	-6.7	-6.7

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)	0.6%	2.2%	3.6%	7.0%	7.0%
Income	(10/20/60/10)	0.8%	3.1%	5.0%	7.9%	7.9%
Income & Growth	(20/25/50/5)	1.1%	4.4%	7.2%	8.7%	8.7%
Growth	(40/25/35/0)	1.6%	6.2%	10.1%	10.3%	10.3%
Aggressive Growth	(60/25/15/0)	2.0%	8.0%	13.0%	11.5%	11.5%

Bond Returns		Total Return % Change				
		1 Month	3 Months	6 Months	12 Months	YTD
FTSE Canada Bond Universe Index		0.4	0.6	1.1	8.7	8.7
FTSE Canada Long Term Bond Index		0.4	0.8	0.5	11.9	11.9
FTSE Canada Mid Term Bond Index		0.6	0.6	1.7	10.1	10.1
FTSE Canada Short Term Bond Index		0.2	0.5	1.2	5.3	5.3

S&P/TSX GICs		Price Performance (% Change)					Index Weight (%)
Sectors		1 Month	3 Months	6 Months	12 Months	YTD	
Consumer Discret.		5.5	20.4	29.8	14.4	14.4	3.9
Consumer Staples		-0.9	-6.0	2.2	2.8	2.8	3.8
Energy		-0.0	13.0	2.4	-30.8	-30.8	11.1
Integrating Oil & Gas		6.5	38.1	0.3	-46.4	-46.4	1.9
Oil&Gas Expl. & Prod		4.1	39.8	31.5	-30.0	-30.0	2.2
Pipeline		-4.1	0.4	-5.3	-25.8	-25.8	6.5
Financials		1.7	15.4	18.6	-2.9	-2.9	29.9
Banks		2.2	16.1	19.5	-1.6	-1.6	20.3
Insurance		0.2	14.1	19.9	-11.2	-11.2	4.3
Real Estate		-2.8	8.4	11.5	-13.0	-13.0	3.1
Health Care		-10.4	29.9	11.1	-23.6	-23.6	1.2
Industrials		2.6	6.7	20.8	15.3	15.3	12.4
Information Tech.		3.1	7.6	11.4	80.3	80.3	10.3
Materials		2.9	-4.0	4.4	19.5	19.5	14.4
Gold		0.5	-15.7	-10.7	19.9	19.9	9.2
Base Metals		12.1	31.5	70.9	17.4	17.4	0.7
Fertilizers		-4.5	17.3	40.4	-1.5	-1.5	1.4
Communication Serv.		-1.7	2.4	3.2	-8.3	-8.3	4.9
Utilities		0.5	4.6	14.9	10.6	10.6	5.1

All data is sourced from Bloomberg unless otherwise noted. Data as of December 31, 2020.
Data source: Bloomberg

CIBC World Markets Interest Rate Outlook

Interest Rates (%) - End of Qtr		Dec 21, 2020	Mar/21	Jun/21
3-month T-Bill	Canada	0.11	0.25	0.35
	U.S.	0.08	0.25	0.25
10-year Gov't Bond Yield	Canada	0.72	0.80	0.85
	U.S.	0.93	1.00	1.10
US\$/C\$		0.78	0.77	0.76

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic Outlook		2020F	2021F	2022F
Real GDP Growth (% Chg)	Canada	-5.6	4.0	5.1
	U.S.	-3.5	4.1	3.6
Consumer Price Index (% Chg)	Canada	0.7	1.7	1.9
	U.S.	1.2	2.3	2.3

Source: CIBC World Markets Inc.

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