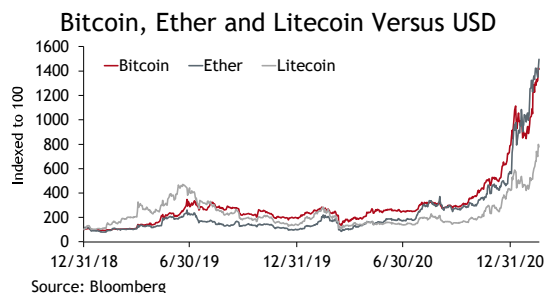




March 2021

CRYPTOCURRENCIES: GETTING HARD TO IGNORE

North American equity markets making fresh all-time highs just a year after the COVID-19 pandemic erupted has certainly been a welcome sight for investors but there is one corner of the investable universe that has completely overtaken the returns of the stock market, and that is cryptocurrencies. These assets attracted significant mainstream attention in late 2017 and relinquished the spotlight after their values plummeted over the course of 2018 as the ebullience waned. It appears that there are two main reasons behind their sudden resurgence.



Institutional Acceptance: Cryptocurrencies have been gaining a considerable amount of appreciation among corporations, financial institutions, and asset managers, which has helped to erode some of its stigmas. More and more hedge funds and even companies such as Square and Tesla are disclosing holdings in virtual currencies. A handful of fund companies have launched products that give investors direct exposure to cryptocurrencies such as bitcoin and ether. Last fall, PayPal said that account holders in the U.S. will now be able to buy and sell various cryptocurrencies on its platform. JPMorgan’s CEO Jamie Dimon once famously stated he would fire any employee for trading bitcoin but now, JPMorgan has its own “JPM Coin”.

Store of Value: The COVID-19 lockdowns have required an enormous amount of fiscal and monetary stimulus, prompting investors to wonder what repercussions may lie ahead. Some cryptocurrency bulls argue that rising inflation is an inevitability that will devalue currencies such as the U.S. dollar and this is where virtual currencies begin to look more appealing as a store of value. Other buyers believe that higher taxes will greet us on the other side of the pandemic and they may have been flocking to cryptocurrencies on the perception that these assets are relatively sheltered from the reach of taxing authorities. The second wave of lockdowns this winter also elicited worries of a double-dip downturn in the markets, which may also have attracted flows into cryptocurrencies, given their generally low correlation to the prices of traditional asset classes.

Looking ahead, the popularity of bitcoin and its peers will depend on the aforementioned factors continuing to be a driving force as well as whether: (i) these instruments will ever see widespread adoption as a medium of exchange; (ii) the regulatory arena surrounding cryptoassets evolves in a direction that supports their growth rather than clamps down on it; and (iii) they can shake off their reputation of volatility, which has kept some investors on the sidelines.

One oft-repeated and altruistic argument in favour of the use of cryptocurrencies is that it can bring societies with underdeveloped financial infrastructures up to speed with the financial systems of the more developed world. The World Bank cites barriers to access for banking services as a major obstacle in eradicating global poverty. Many countries have swaths of their population lacking financial inclusion. This comes in the form of difficulty in opening a bank account, a dearth of banking locations, restrictions on money transfer, unaffordable fees, long wait times, or a lack of mobile alternatives. Cryptocurrencies could offer a solution to these problems, owing to their portability, openness of access, minimal fees (theoretically), fluidity across borders, and user autonomy.

If cryptocurrencies are indeed the future then it also remains to be seen which of these will prevail as the winners. Bitcoin was the original cryptocurrency and it is still the most popular due to its liquidity, longevity, its established market, and its broad network of developers who continuously improve the underlying blockchain. Other cryptocurrencies have emerged not necessarily to compete with bitcoin but to serve particular niche applications or to put a spin on bitcoin that did not have the consensus of the broader bitcoin community. There is nothing stopping someone from creating a new digital currency to compete directly with bitcoin but for now, bitcoin holds the leadership position and it could also adopt the same features as any rivals.

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Unless otherwise noted, all prices quoted in this report are as of the close of markets on February 22, 2021.

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	20 Years	
S&P/TSX Composite	18,060	4.2	5.1	9.4	3.6	11.1	6.2	5.4	7.0	2.5	2.9	4.1	
Total Return		4.4	5.8	11.0	4.0	14.7	9.7	8.7	10.3	5.6	6.0	6.9	
S&P/TSX Preferred Share Index	653	3.8	8.1	11.8	5.9	10.7	1.6	-3.0	3.2	-2.7	-2.8	N/A	
Total Return		4.2	9.5	14.9	6.9	17.4	7.5	2.5	8.8	2.4	2.5	N/A	
S&P 500 Index	3,811	2.6	5.2	8.9	1.5	29.0	17.0	12.0	14.6	11.1	7.5	5.8	
Total Return		2.8	5.6	9.7	1.7	31.3	19.2	14.1	16.8	13.4	9.8	7.9	
Dow Jones Industrial Average	30,932	3.2	4.4	8.8	1.1	21.7	9.3	7.3	13.4	9.7	7.1	5.6	
Total Return		3.4	4.9	9.9	1.4	24.4	11.8	9.8	16.1	12.5	9.9	8.2	
Nasdaq Composite Index	13,192	0.9	8.1	12.0	2.4	54.0	32.3	22.0	23.7	16.8	12.4	9.5	
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	20 Years		
Bloomberg Euro 500	269	2.5	3.7	11.1	1.5	7.8	3.7	1.7	3.7	3.0	0.9	0.6	
FTSE Eurotop 100	2,936	2.9	3.9	9.7	1.9	4.6	1.7	0.8	2.5	1.9	0.2	-0.5	
FTSE 100 (England)	6,483	1.2	3.5	8.7	0.4	-1.5	-4.3	-3.6	1.2	0.8	0.8	0.5	
Dax (Germany)	13,786	2.6	3.7	6.5	0.5	15.9	9.4	3.5	7.7	6.6	5.9	4.1	
CAC 40 (France)	5,703	5.6	3.3	15.3	2.7	7.4	4.3	2.3	5.5	3.3	0.9	0.3	
MSCI World	2,727	2.5	5.6	11.1	1.4	27.4	14.3	8.8	12.0	7.3	5.0	4.5	
MSCI Emerging Markets	1,339	0.7	11.1	21.6	3.7	33.2	12.9	3.9	12.6	1.9	3.7	7.0	
Total Return	3,170	0.8	11.6	22.5	3.9	36.5	16.0	6.7	15.7	4.8	6.5	9.9	
MSCI EAFE	2,169	2.1	5.6	13.6	1.0	19.8	7.6	1.9	6.8	2.2	1.3	2.3	
Total Return	9,471	2.3	5.9	14.5	1.2	23.0	10.9	5.1	10.3	5.5	4.6	5.4	
Nikkei 225 (Japan)	28,966	4.7	9.6	25.2	5.5	37.0	16.4	9.5	12.6	10.6	3.9	4.1	
Hang Seng (Hong Kong)	28,980	2.5	10.0	15.1	6.4	10.9	0.6	-2.1	8.7	2.2	4.1	3.4	
ASX 200 (Australia)	6,673	1.0	2.4	10.1	1.3	3.6	4.0	3.5	6.5	3.3	2.1	3.5	
Taiwan Weighted	15,954	5.4	16.3	26.7	8.3	42.8	23.9	13.8	13.7	6.4	6.1	5.3	
Sensex 30 (India)	49,100	6.1	10.0	27.1	2.8	28.2	17.0	12.8	16.4	10.7	10.9	13.0	
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	20 Years		
S&P/TSX Composite	18,060	4.2	5.1	9.4	3.6	11.1	6.2	5.4	7.0	2.5	2.9	4.1	
Total Return		4.4	5.8	11.0	4.0	14.7	9.7	8.7	10.3	5.6	6.0	6.9	
S&P 500 Index	4,845	1.9	3.1	6.1	1.0	22.1	15.0	11.7	13.1	14.1	8.3	4.8	
Total Return		2.0	3.5	7.0	1.3	24.3	17.1	13.8	15.4	16.5	10.6	6.9	
Dow Jones Industrial Average	39,321	2.4	2.2	6.0	0.6	15.2	7.4	7.0	12.0	12.7	7.9	4.6	
Total Return		2.7	2.7	7.1	1.0	17.7	9.9	9.5	14.6	15.5	10.7	7.1	
Russell 2000	2,798	5.4	18.5	37.4	11.0	41.1	16.2	13.0	14.9	13.3	8.4	7.0	
Nasdaq Composite Index	16,770	0.2	5.9	9.2	1.9	45.7	30.1	21.6	22.1	20.0	13.2	8.5	
Bloomberg Euro 500	413	1.3	2.7	9.5	-0.1	12.0	4.9	1.1	4.5	4.4	1.7	1.1	
EURO STOXX 50	5,584	3.3	3.1	9.5	0.7	13.5	6.3	1.3	5.2	3.3	0.6	-0.4	
Total Return		3.4	3.3	10.0	0.9	15.8	8.8	3.8	7.9	6.2	3.5	2.3	
MSCI World	3,466	1.7	3.4	8.2	0.9	20.5	12.4	8.5	10.6	10.2	5.8	3.5	
MSCI Emerging Markets	1,702	0.0	8.9	18.5	3.3	26.1	10.9	3.6	11.2	4.7	4.4	6.0	
Total Return		0.1	9.3	19.4	3.4	29.2	14.0	6.5	14.2	7.6	7.3	8.9	
MSCI EAFE	2,757	1.4	3.4	10.7	0.6	13.4	5.7	1.6	5.5	4.9	2.1	1.3	
Total Return		1.5	3.7	11.6	0.7	16.4	9.0	4.8	8.9	8.4	5.4	4.5	
MSCI Far East	5,164	1.2	3.2	13.1	0.8	16.9	7.7	2.2	7.5	6.6	2.4	1.6	
Commodities	Price as of						Yields as of						
26-Feb-21	-1 Month	-3 Months	-6 Months	-12 Months	YTD (%)	Yields	26-Feb-21	-1 Month	-3 Months	-6 Months	-12 Months		
Gold Spot (US\$/oz)	1,734	1,848	1,777	1,968	1,586	-8.7%	Canada 3-month T-Bills	0.13	0.07	0.12	0.15	1.46	
Silver (US\$/oz)	26.67	26.99	22.64	28.14	16.67	1.0%	Canada 5yr Notes	0.88	0.42	0.43	0.39	1.08	
Brent Crude Oil	66.13	55.88	47.59	45.28	50.52	27.7%	Canada 10yr Notes	1.36	0.89	0.67	0.62	1.13	
West Texas Intermediate Oil	61.50	52.20	45.34	42.61	44.76	26.8%	Canada 30yr Bonds	1.76	1.47	1.17	1.16	1.32	
NYMEX Natural Gas	2.77	2.56	2.88	2.63	1.68	9.1%	U.S. 3-month T-Bills	0.03	0.05	0.07	0.09	1.27	
Spot Nat. Gas (AECO Hub - USD)	2.27	2.28	2.21	1.99	1.28	16.4%	U.S. 5yr Notes	0.73	0.42	0.36	0.27	0.94	
Lumber	995.60	887.00	636.80	928.00	399.40	14.0%	U.S. 10yr Notes	1.40	1.07	0.84	0.70	1.15	
Copper 3-month	4.12	3.56	3.44	3.02	2.56	16.9%	U.S. 30yr Bonds	2.15	1.83	1.57	1.47	1.68	
Nickel 3-month	8.43	8.02	7.27	6.97	5.56	11.8%							
Aluminum 3-month	0.98	0.90	0.93	0.82	0.77	8.8%							
Zinc 3-month	1.27	1.17	1.27	1.14	0.92	1.5%							
Currencies	Performance (% Change)						S&P/TSX GICs						
Price	1 Month	3 Months	6 Months	12 Months	YTD	Sectors	1 Month	3 Months	6 Months	12 Months	YTD	Index Weight (%)	
CAD/USD	0.7854	0.4	2.1	2.5	5.3	-0.1	Consumer Discret.	8.7	11.6	29.5	34.0	5.8	4.0
EURO/CAD	1.5368	-0.9	-0.9	-1.3	4.0	-1.2	Consumer Staples	-1.1	-7.2	-5.5	-1.9	-6.4	3.4
EURO/USD	1.2071	-0.5	1.2	1.1	9.5	-1.2	Energy	8.5	11.4	11.2	-14.6	11.4	12.1
USD/YEN	106.5500	1.7	2.1	0.6	-1.2	3.2	Integrated Oil & Gas	19.1	26.3	27.8	-24.4	18.6	2.2
Trade Weighted U.S. Dollar	90.8790	0.3	-1.1	-1.4	-7.4	1.0	Oil&Gas Expl. & Prod.	23.2	24.9	40.8	8.5	20.0	2.6
							Pipeline	0.3	2.2	-1.7	-19.4	6.5	6.7
							Financials	6.7	7.7	17.6	7.3	5.9	30.9
							Banks	7.2	9.1	17.8	10.4	6.7	21.1
							Insurance	7.2	10.0	23.0	7.6	9.7	4.7
							Real Estate	4.5	2.8	15.2	-8.5	5.8	3.2
							Health Care	4.6	26.8	68.0	33.2	41.5	1.6
							Industrials	4.9	4.5	11.8	20.0	1.8	12.4
							Information Tech.	9.9	12.4	14.4	84.7	9.1	10.9
							Materials	-4.5	-5.2	-14.3	22.1	-7.9	12.1
							Gold	-14.2	-17.9	-34.2	2.2	-18.4	6.8
							Base Metals	17.8	26.9	67.7	113.5	13.2	0.7
							Fertilizers	9.1	7.2	42.2	26.6	12.2	1.5
							Communication Serv.	-0.9	-2.2	0.4	-4.8	-0.5	4.7
							Utilities	-5.7	-2.7	7.3	2.7	-3.2	4.8
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)	-0.8%	-0.9%	0.5%	4.1%	-1.5%								
Income (10/20/60/10)	-0.5%	-0.4%	1.5%	6.0%	-1.2%								
Income & Growth (20/25/50/5)	0.2%	0.6%	3.2%	8.9%	-0.6%								
Growth (40/25/35/0)	1.0%	1.8%	5.5%	13.3%	0.2%								
Aggressive Growth (60/25/15/0)	1.8%	3.2%	7.8%	17.7%	1.2%								
Bond Returns	Total Return % Change												
1 Month	3 Months	6 Months	12 Months	YTD									
FTSE Canada Bond Universe Index	-2.5	-3.2	-2.7	1.1	-3.6								
FTSE Canada Long Term Bond Index	-4.2	-6.8	-6.0	-1.9	-7.1								
FTSE Canada Mid Term Bond Index	-3.1	-3.0	-2.6	2.3	-3.6								
FTSE Canada Short Term Bond Index	-0.8	-0.4	-0.0	2.8	-0.7								

All data is sourced from Bloomberg unless otherwise noted. Data as of February 26, 2021.
Data source: Bloomberg

CIBC World Markets Interest Rate Outlook

Interest Rates (%) - End of Qtr		Feb 22, 2021	Jun/21	Sep/21
3-month T-Bill	Canada	0.09	0.15	0.15
	U.S.	0.03	0.20	0.15
10-year Gov't Bond Yield	Canada	1.23	0.85	0.85
	U.S.	1.36	1.20	1.20
US\$/C\$		0.79	0.77	0.75

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic Outlook		2021F	2022F
Real GDP Growth (% Chg)	Canada	4.3	5.0
	U.S.	4.8	4.0
Consumer Price Index (% Chg)	Canada	1.9	2.0
	U.S.	2.6	2.6

Source: CIBC World Markets Inc.

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