QUARTERLY COMMENTARY

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April is the Cruellest Month

Normally I provide a quarterly commentary at the end of each calendar quarter, which means that the Spring edition would have been written in mid-April. But, as luck would have it, and after diligently observing Covid-safe practices for 2 plus years and being fully vaccinated, the virus caught up with me and my family during the week that I should have written this piece. While my symptoms were no worse than a bad head cold, it was all I could do to manage day-to-day client service and market monitoring. Anything requiring creativity or energy beyond the minimum was going to have to wait.

I'm fully recovered now, thankfully, and in fact, was well enough, after testing negative, to be able to make a long-awaited trip to the West Coast to see my brother and attend the Raymond James (thrice-postponed) conference in Vancouver. As I write, I can see the bay where whales sometimes splash from my brother's home in lovely Nanoose Bay on Vancouver Island.

Being able to enjoy the inspiring landscape around me is about the only good thing that came out of April. Besides my having Covid, the market was extraordinarily volatile, interest rates are on their way up, along with inflation, and Russia invaded Ukraine, all since I wrote my last report in January. Worldwide supply-chain bottlenecks continue to hamper re-opening endeavors, and due to ongoing pandemic lockdowns in China and elsewhere, we don't expect these concerns to improve much before the end of this year, or later. And it really hasn't mattered how diversified your portfolio has been, virtually every sector (with the exception of oil and gas), has taken a step (in some cases a Goliath-sized step) backwards.

As April numbers were not available yet, here are the 1st quarter-end numbers, as of March 31st, 2022:

	3-mth. return	1 yr. return	3 Yr. return	5 Yr. return
S&P/TSX composite:	3.1%	17.1%	10.8%	7.1%
Dow Jones Industrial Avg.:	-4.6%	5.1%	10.2%	10.9%
S&P 500:	-4.9%	14.0%	16.9%	13.9%
NASDAQ:	-9.1%	7.4%	22.5%	19.2%

In addition to the heartbreaking and ongoing crisis happening in Ukraine, the bad news continued through April, as the cost of living rapidly increased at a faster rate than we've seen in decades. And after years of rock-bottom interest rates, the pendulum has swung away from favouring borrowers, towards improved rates for savers. With the Bank of Canada poised to raise rates beyond the 0.75% increase we've already seen, there has been a shift in sentiment whereby equities will have to work harder to compete with lower risk assets, such as the yields offered by bonds, for the fist time in years. Concerns about the ability of companies, consumers, and the economy to sustain growth in the face of these worries has weighed heavily on the stock market since the beginning of the year. There has even been a whiff of the dreaded "R" word (recession) coming from some corners. Our own Raymond James equity strategists do not believe we are headed for recession in 2022 nor '23, though there is the expectation that growth will slow from the blistering pace we saw over the past two years.

We are spoiled, in fact, because the rise of growth stocks, particularly the mega-growth tech names like Amazon, Netflix, Microsoft, etc. has given us the expectation that nothing would stop this upward momentum. It's never fun when there is a pull-back of course, but these are inevitable when dealing with the stock market. Typically, the first casualties when jitters start to grab hold are the speculative names, that is, companies that have high debt / no earnings / no products or services that will be in demand as consumers and governments are forced to tighten their belts. Conversely, those businesses that have sustainable, innovative, well-financed business models will attract capital even during bad times. Quality is key, and the best businesses will prove to have the staying power and resilience to provide us with growth and income over the long term.

As an ESG investor, it has been particularly alarming to see the extent to which expanding oil and gas production has resulted from the growing embargo on Russian energy throughout Europe. I understand why: a re-alignment of energy providers, in the short-term, has inflated already expensive oil and gas costs, although it has been good for our Canadian producers and the fossil-fuel heavy TSX. However, on so many levels it is a dismaying development. At a time when there are undeniable indications that we need to reduce our reliance on fossil fuels to stave off more climate disasters, there has been a disconnect. Even some professed "green" promoters, like US President Joe Biden, have recently urged increased oil production (from some of the world's most problematic suppliers) to help reduce the costs to consumers and businesses. The bright spot, if there is one, is the urgent recognition that technologies to develop renewable, clean energy and reduce carbon emissions must be accelerated. The state of our global environment plus our long-term energy security demand it.

T.S. Elliot's opening line of his 1922 poem The Wasteland, *"April is the Cruellest Month",* really describes the month just ended. Here's to Spring, renewal, peace, good health, and better markets. Let's hope that the rest of the months going forward confirm April was as cruel as it gets.