TD Wealth

2021

Q4

Quarterly
Market Review

Market Commentary + 15 Minutes = Current Insights

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HIGHLIGHTS

January 5, 2022

Canadian & U.S. Fixed Income

- The Canadian government bond index rose 1.6% in Q4; the U.S. government bond index rose 0.2%.
- Canadian and U.S. investment-grade corporate bond indices registered returns of 1.1% and 0.2%, respectively.
- U.S. investment-grade spreads modestly widened by 8 bps over the quarter; U.S. high-yield spreads tightened by 6 bps.

U.S. Equities

- The major U.S. equity indices managed to hang on to gains generated during an exceptional corporate earnings season, but headwinds later in the fourth quarter led to a partial pullback.
- The S&P 500 rose 11.0% in Q4, the Dow rose 7.9% and the Nasdaq Composite Index rose 8.5%.
- Ten of 11 sectors in the S&P 500 produced a positive return. Real estate and technology rose the highest, with returns of 17.5% and 16.7%. Telecommunications was the worst-performing sector, essentially flat at -0.01%.
- Large-cap stocks outperformed small-caps; growth stocks outperformed value.

Canadian Equities

- Equities in Canada underperformed those in the U.S. as Omicron fears were compounded by a momentary plunge in oil prices and the negative impact of tightening U.S. monetary policy on gold and the Canadian dollar.
- The S&P/TSX Composite Index ended the quarter up 6.5%. Ten of 11 S&P/TSX sub-indices posted positive returns.
- Large-cap stocks outperformed small-caps in Q4; value stocks outperformed growth.

International Equities

- International developed markets underperformed their American peers in Q4.
- The MSCI Emerging Markets Index fell 0.8% in Q4, led by a steep decline in Russia, which faces unprecedented sanctions if President Vladimir Putin decides to carry out his threatened invasion of Ukraine.
- Equities also fell hard in Brazil, where the president faces a criminal investigation into his handling of the pandemic.
- Chinese stocks provided some ballast for emerging markets, recovering somewhat after solid economic data and a November call with the U.S. president that was perceived to be friendly.

Canadian & U.S. Fixed Income

Government Bond Yield	Canada			United States		
	Current (%)	Q/Q Change (pp)	YTD Change (pp)	Current (%)	Q/Q Change (pp)	YTD Change (pp)
91-Day Treasury Bill	0.17	0.04	0.10	0.03	0.00	-0.03
2-Year Government Bonds	0.95	0.42	0.75	0.73	0.46	0.61
5-Year Government Bonds	1.26	0.15	0.87	1.26	0.30	0.90
10-Year Government Bonds	1.42	-0.08	0.75	1.51	0.02	0.60
30-Year Government Bonds	1.68	-0.31	0.47	1.90	-0.14	0.26

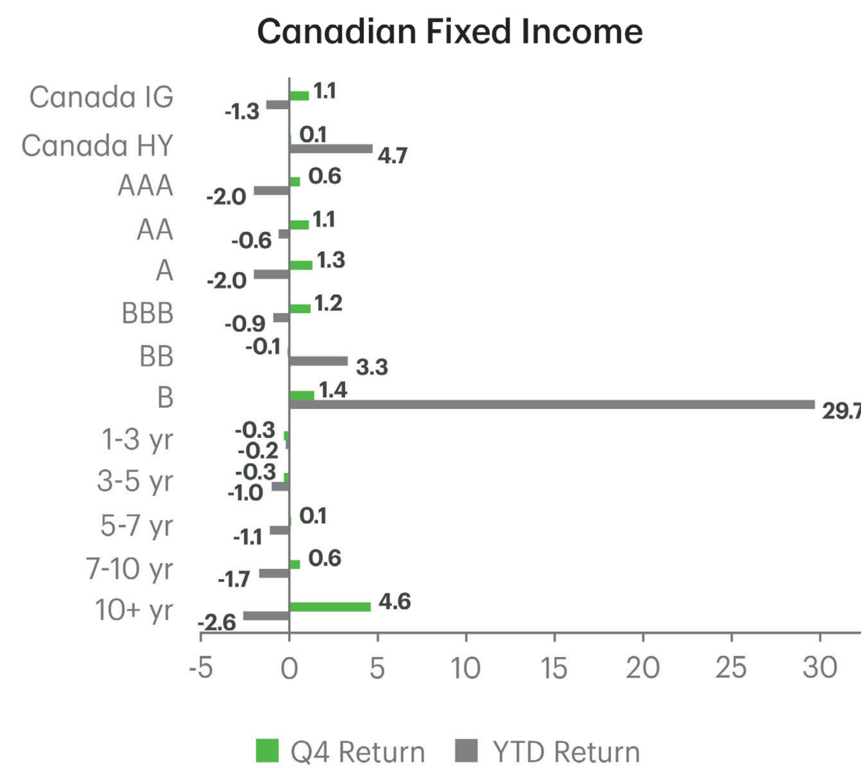
Source: Bloomberg Finance L.P. as of December 31, 2021. Index returns are reported on a total-return basis; pp (percentage point).

Fixed Income Indices	Q4 Return (%)	YTD Return (%)
FTSE Canada Universe Bond Index	1.5	-2.5
FTSE Canada Universe All Government Bond Index	1.6	-3.0
FTSE Canada All Corporate Bond Index	1.1	-1.3
FTSE Canada Real Return Bond Index	6.4	1.8
FTSE Canada Provincial Bond Index	2.4	-3.3

Source: Bloomberg Finance L.P. as of December 31. Index returns are reported on a total-return basis.

Fixed income markets experienced an eventful fourth quarter, with heightened volatility in government bond yields due to forthcoming policy rate hikes by most developed-market central banks. The aggressive market-implied central bank action led shorter-maturity government bond yields to move sharply higher, while long-maturity bond yields moved lower. This resulted in a flattening of the government yield curve and a Q4 gain of 1.5% for the FTSE Canada Universe Bond Index, while the Bloomberg U.S. Aggregate Bond Index (CAD-hedged) was flat over the same period. The positive returns for the Canadian bond universe were due solely to the move lower in long-maturity yields over the quarter; risk assets also gained.

In the U.S., the highlight was the build-up to the December FOMC meeting, at which the Fed doubled the pace at which it would taper bond buying. Other communications from the event turned hawkish as well, with the "dot plot" suggesting a 75-bp policy-rate increase in 2022. The change reflected sizeable upward revisions to inflation projections, with the possibility of more to come. Also, the chairman made clear that views on "maximum employment" have evolved, and that officials are ready to start raising rates well before the labour market returns to its pre-pandemic state.



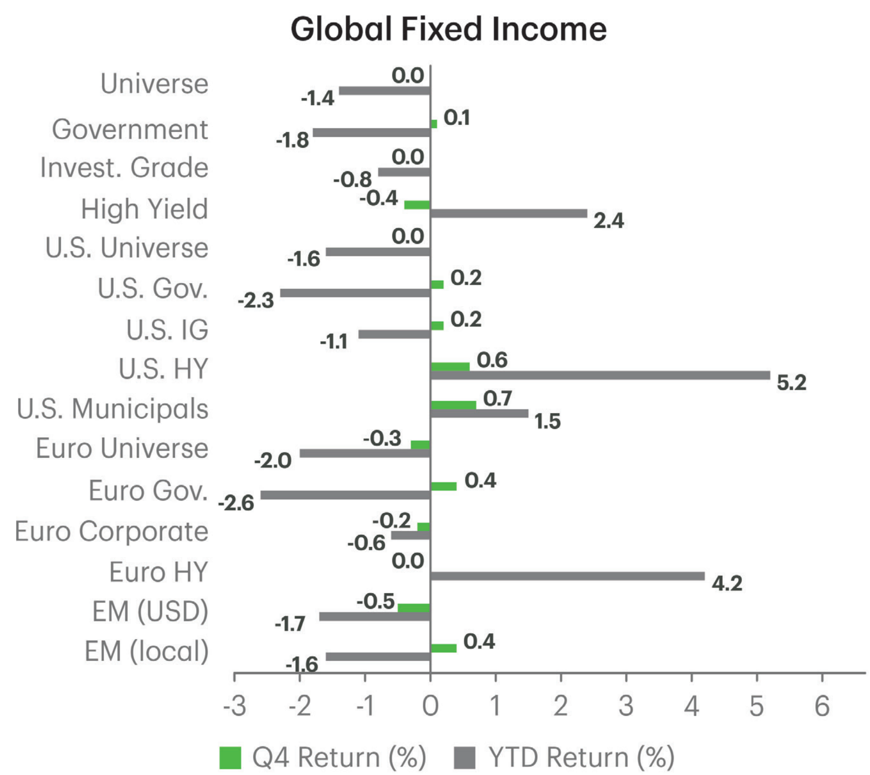
Source: Bloomberg Finance L.P. as of December 31, 2021. Index returns are reported on a total-return basis.

North of the border, the Bank of Canada kept its cards close to the vest with its December policy statement. There was little change to the overall message from October and no change to its bond reinvestment program or to its forward guidance, signalling policy rate hikes in mid-2022. The Bank noted that the employment rate is “essentially back to its pre-pandemic level” and that growth has picked up. The outlook around inflation was little changed, with the Bank again noting that price growth was expected to ease back to 2% by the second half of next year.

Market repricing of shorter-maturity yields (higher) and longer-maturity yields (lower) led to modest gains for government bonds. Broad global fixed income, represented by the Bloomberg Global Aggregate Index (CAD-hedged), was mostly flat at 0.1% during the quarter. Canadian government bonds outperformed U.S. Treasuries and the global universe, with the U.S. Treasury index (CAD-hedged) staying flat at 0.2%, while the Canadian government bond index gained by 1.6%. The U.S. 10-year Treasury yield started the quarter at 1.49% and ended at 1.51%, while the equivalent Canadian government bond yield started at 1.50% and ended at 1.42%.

With continued support from central banks and persistent demand, credit markets remained mostly calm, but heightened volatility in government yields led to modest widening in credit spreads. On the Canadian side, the investment-grade spread widened by 6 bps and ended the quarter at an option-adjusted spread of 111 bps. The sector posted strong returns at 1.1% but underperformed the aggregate Canadian fixed income index return of 1.5%. The detraction stemming from modestly wider spreads was completely negated by gains from longer-maturity bond yields. Diving deeper, Canadian A-rated credits benefitted the most due to longer maturity profiles, posting returns of 1.3% and outperforming lower-quality BBBs at 1.2%, higher-quality AAs at 1.1% and AAA-rated credit at 0.6%.

Understandably, the longest-maturity corporate bonds outperformed medium- and short-maturity bonds, as benefits from falling government bond yields were realized at longer maturities, while credit spreads widened across the credit maturity profile. Over the quarter, the longest-maturity cohort of 10-year-plus posted strong returns at 4.6%, while the medium-maturity cohort of seven- to 10-year and five- to seven-year returned 0.6% and 0.1%; the shorter-maturity cohorts of three- to five-year and one- to three-year bonds both returned -0.3%. Subdued real yields and improving inflation contribution for Canadian real-return bonds led the sector to post strong returns at 6.4%, outperforming the government bond universe at 1.6%. Canadian provincial bonds, also with higher interest-rate sensitivity, outperformed corporate bonds over the quarter, returning 2.4%. For global corporates, we witnessed modest action



Source: Bloomberg Finance L.P. as of December 31, 2021. Index returns are reported on a total-return basis.

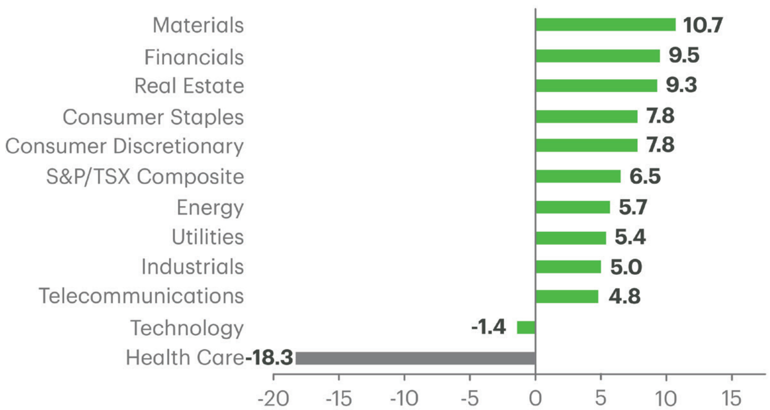
in government bond yields, and spreads were mostly stable. U.S. investment-grade corporate spreads modestly widened by 8 bps over the quarter, although U.S. sub-investment-grade (“high-yield”) corporate spreads tightened by 6 bps. The U.S. investment-grade corporate bond universe (CAD-hedged) was mostly flat at 0.2%, modestly outperforming the global investment-grade corporate universe (CAD-hedged), which was flat. U.S. sub-investment-grade corporate bonds (CAD-hedged) gained 0.6% over the quarter, outperforming the global sub-investment-grade corporate universe (CAD-hedged) at -0.4%. USD emerging-market debt returned -0.5%, driven by spread-widening, while local-currency debt returned 0.4%.

Canadian Equities

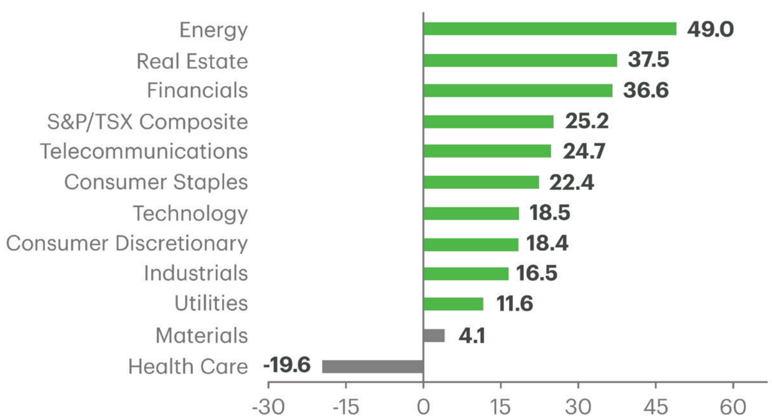
Indices	Q4 Return (%)	YTD Return (%)
S&P/TSX Composite Index	6.47	25.09
S&P/TSX 60 Index	7.75	28.05
S&P/TSX Completion Index	1.90	14.86
S&P/TSX Cdn SmallCap Index	3.03	20.27
S&P/TSX Preferred Share Index	0.43	13.65

Source: Bloomberg Finance L.P. as of December 31, 2021. Total index values and returns, except the S&P/TSX Preferred Share Index which is reported on a price-return basis

Q4 S&P/TSX Sector Returns (%)



YTD S&P/TSX Sector Returns



Source: Bloomberg Finance L.P., as of December 31, 2021. Index Total Returns.

Equities in Canada rose alongside their American peers in the fourth quarter, thanks to an exceptional corporate earnings season, but the broad index significantly underperformed its U.S. counterpart as Omicron fears were compounded in Canada by a momentary plunge in oil prices and the negative impact of tightening U.S. monetary policy on gold prices and the Canadian dollar. In late November, the rapidly spreading Omicron variant led investors to pare back expectations for energy demand. Oil prices dropped 15% on the news, although December saw a recovery, given OPEC's determination to stick to its gradual schedule of output increases — despite numerous politically motivated calls from the White House to boost supply.

Trading late in the quarter was highly volatile, as shares traded hands between two camps: those who believed Omicron would lead to widespread and prolonged lockdowns; and those who did not. Recent evidence supports the latter view, suggesting that Omicron will result in fewer hospitalizations per case and an intense but relatively short-lived lockdown period. It remains to be seen (as of writing) whether the infectiousness of Omicron will outweigh the relatively mild disease that it causes.

The S&P/TSX Composite Index ended the quarter up 6.5%, with 10 of 11 sub-indices posting positive returns. Large-cap value stocks outperformed in the third quarter. Small-cap stocks (S&P/TSX Canadian Small Cap Index) rose by 3.1%, underperforming large-cap stocks (S&P/TSX 60 Index), which rose 7.6%. Growth stocks (MSCI Canada Growth Index) increased 5.8% over the quarter, underperforming value stocks (MSCI Canada Value Index), which ended the quarter up 8.4%.

West Texas Intermediate, the North American benchmark for oil prices, finished the quarter at US$75.21, virtually unchanged from one quarter prior and up 55% for the year. The fourth quarter was marked by significant volatility as oil reached a peak of US$85.10 in late October before it began to sell off on fears of fresh supply from the release of strategic oil reserves and the threat of Omicron.

These concerns dragged WTI to a low of US$62.43 by the beginning of December, although prices recovered swiftly from there. Canadian financials increased 9.4% during the fourth quarter, reflecting solid performance from banks (10.8%) and diversified financials (10.4%), while the insurance sector lagged (3.9%). The spot price of gold, meanwhile, ended the quarter at US$1,828.60, up 4.1% since the end of September and down 3.5% for the year. During the quarter, gold traded within the range of US$1,745.40 and US$1879.50.

After an abysmal second quarter for the economy (revised downward to -3.2%), Statistics Canada in November reported a strong rebound for the third quarter. Inflation-adjusted GDP rose by 5.4% (q/q annualized) thanks to surging household consumption, particularly in the semi-durable-goods category (up 68.7% annualized) and the services category (up 27.8%). As the impact of Delta faded in Q3 and provinces lifted restrictions, spending on areas hardest hit by the pandemic (travel, food services, entertainment) rose sharply.

The rebound would have been even stronger if not for continued weakness in business investment, which shrank 18% in annualized terms. The story here, as in the second quarter, revolved around the softening Canadian real estate market. Residential investment fell 31.3% in Q3 as new construction and renovations dropped. In addition, resale market activity slowed. More modest declines in investment were also seen in non-residential structures (down 1.1%), machinery and equipment (down 0.7%) and intellectual property (down 5.7%).

TD Economics expects growth to come down only slightly in Q4, with a forecast of 4.7%. Even as supply-chain concerns ease, however, other headwinds are forming in Canada. The floods that devastated British Columbia, for instance, will undoubtedly weaken near-term growth, as will the rapidly rising (as of writing) incidence of Omicron. These factors have injected some uncertainty into the forecast. While the rebounding economy has led TDE to raise its Q4 forecast from 4.5% to 4.7%, the downward revision for Q2 has cut the full-year 2021 forecast from 4.9% to 4.5%.

From the perspective of job applicants, however, this pandemic has already moved into the rear-view. Employment returned to pre-pandemic levels in September, with a solid 157,000 jobs created. October added an underwhelming 31,000 jobs, but then, after the expiry of the Canada Recovery Benefit — and perhaps no coincidence — the Canadian economy in November generated an awe-inspiring 154,000 jobs, blowing the consensus estimate of 38,000 jobs out of the water. It seems that, without income support, job seekers finally got serious about looking for work, lending credence to conservative arguments that recovery benefits were disincentivizing employment. Over the course of these three months, the unemployment rate fell from 7.1% to 6.0%.

Positive news on the employment front was also reflected in household finances. Disposable income was up 7.2% year-over-year in Q3 thanks to gains in employee compensation. Household wealth continued to rise, edging up 2%, thanks to gains in both investments and real estate. Meanwhile, the debt-servicing ratio (that is, the percentage of disposable income spent on interest) fell 0.2 percentage points to a 16-year low of 13.3%. The financial security of Canadians could also be seen in the savings rate, which fell from 14% to 11% (q/q) as consumers opted to splurge.

Much of this newfound wealth, however, has been clawed back by historically high inflation. From September through November, core inflation (CPI-Common) ticked up from 1.8% to 2.0%, while the more volatile consumer price index (which includes energy and food prices) recorded an annual increase of 4.7% in November due to a whopping 44% rise in gasoline prices.

The inflation data, along with November's job report, will be impossible for the Bank of Canada to ignore. Throughout the pandemic, the Bank had stressed that it would keep the overnight rate low until the labour-market recovery was complete and core inflation rose sustainably above 2%. With the release of November jobs and inflation data, it's safe to say we're nearly there. TD Economics now expects "liftoff" in Canada to occur sometime in the second quarter of next year (two quarters earlier than had been expected), but given the tighter labour-market conditions and stronger pricing pressures, economists at TDE cannot discount the possibility that the Bank may choose to hike rates in the first quarter, perhaps even as early as January.

Preferred Shares

Canadian preferred shares were relatively flat during the fourth quarter, increasing only 0.4%. This is not surprising given the strong rally that happened during the first half of the year, and especially given that any security with a high probability of redemption is already close to par. The Omicron variant introduced a new element of uncertainty around the economic outlook and led to a deterioration in investor sentiment, which contributed to the weakness. Canadian corporate bond spreads closed the year at 120 bps, higher than the average of 113 bps over the past 12 months, while the five-year government of Canada yield increased 15 bps during the quarter.

On a total-return basis, the market's performance remains solid. The index is up 1.6% since the beginning of Q3 and 19.4% since the beginning of the year, with price appreciation accounting for approximately 70%

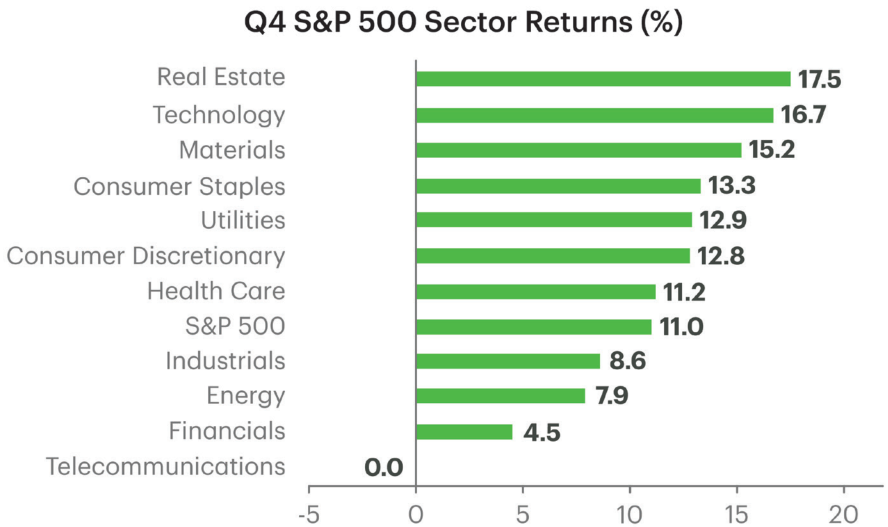
of total return. Barring a sharp and sudden increase in interest rates, dividends are expected to be the main source of return in the short to medium term.Announced redemptions amounted to $3 billion in Q4 and $10.4 billion for the full year. New retail issuance activity hasn't fully recovered yet, but it picked up in the fourth quarter and amounted to $575 million, compared to $450 million for the first three quarters, and with perpetuals representing the vast majority. Interestingly, Royal Bank of Canada (RY) announced the issuance of a fixed rate-reset to "certain institutional investors" at 4.20%. The limit imposed by OSFI on Limited Recourse Capital Notes issuance implied that banks would still rely on preferred shares as a source of regulatory capital, albeit to a limited extent. While we could see some new issues here and there, it seems that Canadian banks will likely bypass the retail market altogether.

The average yield on investment-grade fixed rate-resets dropped to 4.5%, from 4.6% in Q3. The yield on investment-grade perpetuals was slightly lower at 4.9%, which at the 1.3 conversion factor, is equivalent to a bond yield of 6.4%.

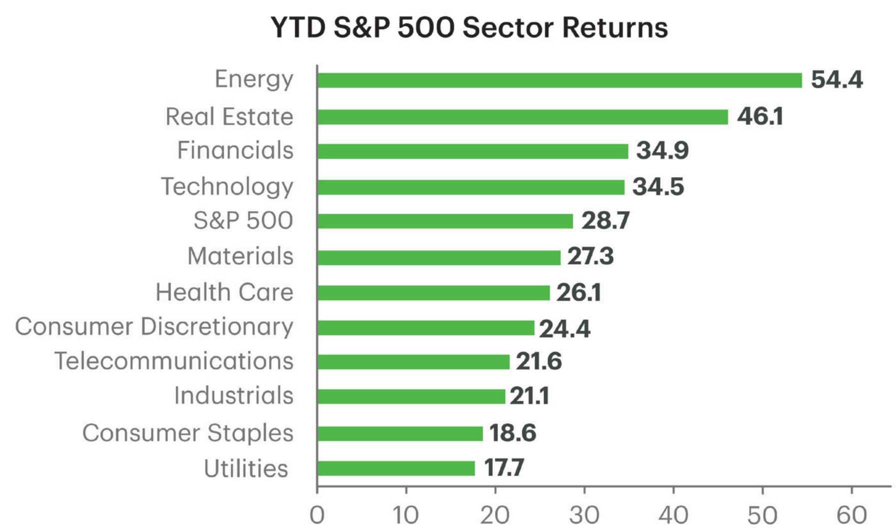
U.S. Equities

Indices	Q4 Return (%)	Q4 Return (%, C$)	YTD Return (%)	YTD Return (%, C$)
Dow Jones Industrial Average Index	7.87	7.54	20.95	19.82
S&P 500 Index	11.03	10.69	28.71	27.51
S&P 400 Index	8.00	7.67	24.76	23.60
NASDAQ Composite Index	8.45	8.12	22.18	21.04
Russell 2000 Index	2.14	1.84	14.82	13.75

Source: Bloomberg Finance L.P. as at December 31, 2021. Total index values and returns. Index returns calculated in local currency and C$.



Source: Bloomberg Finance L.P., as at December 31, 2021. Index Total Returns.



Source: Bloomberg Finance L.P., as at December 31, 2021. Index Total Returns.

The major U.S. equity indices managed to hang on to gains generated during an exceptional corporate earnings season, but headwinds later in the fourth quarter led to a partial pullback. At the start of the quarter, concerns over inflation and high energy prices dominated, but these were promptly set aside as strong earnings buoyed risk sentiment and lifted the global growth outlook. The market's cheerful mood even allowed the Fed to announce, in early November, the highly anticipated start of its tapering programing without the kind of "tantrum" seen in 2013, when such news jolted the bond markets.

Bullishness in October, however, succumbed to extreme anxiety midway through the quarter, as the Omicron variant began to crop up in Europe. By the end of November, Omicron had landed in America and equities were battered by the threat of yet another pandemic wave. The rebound was swift, though, as market participants divided themselves into two camps: those who believed Omicron would lead to widespread and prolonged lockdowns; and those who did not. Recent evidence supports the latter view, suggesting that Omicron will result in fewer hospitalizations per case and an intense but relatively short-lived lockdown period.

Political showdowns between global superpowers also set markets on edge in Q4, as President Biden spoke to China's Xi Jinping and Russia's Vladimir Putin. Recent tensions in Taiwan and Ukraine have injected a measure of geopolitical risk into the outlook. Even now, over 100,000 Russian troops have amassed along the Ukrainian border for a possible invasion of its Western-allied neighbour, with Putin threatening war unless certain political demands are met. The quarter ended on a positive note, however, thanks to positive news from South Africa, where Omicron cases have fallen rapidly.

For the three months ended December 31, 2021, the S&P 500 rose 11.0%, the Dow Jones Industrial Average rose 7.9% and the Nasdaq Composite Index rose 8.5%. Ten of 11 sectors in the S&P 500 produced a positive return. Real estate and technology rose the highest, with returns of 17.5% and 16.7% respectively. Telecommunications was the worst-performing sector, essentially flat at -0.01%. Large-cap growth stocks outperformed during the quarter. Large-cap stocks (S&P 500) rose by 11.0%, outperforming small-cap stocks (Russell 2000), which returned 2.1% in the third quarter. Growth stocks (S&P 500 Growth Index) registered a total return of 13.4% during the quarter, outperforming value stocks (S&P 500 Value Index), which returned 8.3%.

On November 24, the Bureau of Economic Analysis published its second estimate for third-quarter growth. Economic expansion came in slightly below expectations, decelerating to 2.1% (q/q annualized, 6.6% in Q2) as the stimulus-driven splurge of the first half came to an end. Consumer spending grew 1.6% in Q3 — a humdrum figure that belies extreme divergence between goods and services. With demand for big-ticket items largely sated and supply chains still hobbled, spending on durable goods plunged 24.4% in Q3, while spending in the larger services segment rose a healthy 7.6%. Business investment also came back down to earth in the quarter, decelerating sharply to 1.5% (9.3% in Q2).

Moving into the fourth quarter, though, business confidence began to pick up. The Institute of Supply Management's Services Index blew past market expectations in November, jumping to another record high of 69.1 from the previous record of 66.7. The ISM Manufacturing Index, meanwhile, rose to 61.1, up marginally from October's reading, at 60.8. The ISM Composite Index moved to 68.2 from 66.1 in October. These PMIs represent the highest levels of business confidence since the end of the global financial crisis. (Readings above 50 denote economic expansion.) TD Economics is predicting a return to accelerated growth in Q4, with real GDP forecasted to rise 7.0%. TDE has also slightly raised its projection for full-year economic growth to 5.7% from 5.6%.

Strong business confidence is mirrored in the tightening labour market, with hourly earnings up 4.8% in November and the unemployment rate down to 4.2% (from 5.2% in August). This promising backdrop for employees has been interrupted, however, by the Omicron wave, which dampened hiring in November. While September and October posted solid gains thanks to the post-Delta economic reopening (312,000 and 546,000 jobs), hiring in November petered out (210,000). For leisure and hospitality, the impact of Omicron was pronounced: the sector hired 238,000 workers in September and October, but only 23,000 in November.

Omicron is also likely to create a headache for the Fed, which in early November announced the scheduled wind-down of its asset-purchase program. Inflation has proven far more persistent than predicted by Fed Chair Jerome Powell (who was renominated in November). From September through November, core y/y inflation (which excludes volatile food and energy prices) rose to 4.0%, 6.2% and 6.8% — a near 40-year high. By telegraphing its stimulus wind-down, the Fed seems to have avoided a 2013-style "taper tantrum." By the same token, however, it has limited its own room to manoeuvre in the event that Omicron causes a significant economic slowdown. The Fed now expects to end its quantitative-easing program by March of 2022 and follow up with the first of three rate hikes by June of 2022. TD Economics concurs, expecting the upper bound of the federal funds target range to rise to 1% by the end of next year.

International Equities

Indices	Q4 Return (%)	Q4 Return (%, C$)	YTD Return (%)	YTD Return (%, C$)
FTSE 100 Index	4.74	5.00	18.44	16.34
DAX Index	4.09	2.55	15.79	6.74
CAC 40 Index	9.86	7.78	31.88	21.69
MSCI Europe (LC) Index	6.57	5.41	23.32	12.92
Nikkei 225 Stock Average	-2.08	-4.55	6.66	-4.27
MSCI Emerging Markets Free (LC) Index	-0.84	-1.61	0.14	-4.14

Source: Bloomberg Finance L.P. as of December 31, 2021. Total index values and returns. Index returns calculated in local currency and C$.

International developed markets slightly underperformed their American peers in Q4. The UK's FTSE 100 returned a middling performance of 4.7%. Stocks enjoyed broad gains throughout October and the early part of November. Banks gained on exceptional corporate earnings. Exporters gained on a weakened pound, after the Fed telegraphed monetary tightening. And miners and energy producers gained on rising commodity prices. These dynamics were reversed in November, however, as Omicron fears intensified and decade-high inflation raised fears of an imminent rate hike by the Bank of England. Stocks then seesawed for much of December as uncertainty over Omicron mingled with rebounding commodity prices. Despite the positive earnings outlook for blue-chips, economic growth overall in the UK remains weak, waning to 1.3% in Q3 (5.5% in Q2) as trade was hampered by supply-chain and Brexit-related issues. The UK government is now considering a Brexit provision that would allow it to unilaterally reneg on the agreement. The soft economy, however, wasn't enough to stop the BoE from raising its policy rate (from 0.1% to 0.25%) given soaring inflation (4.2% in October). This rate hike may be the last one for a while, though, after a fourth quarter in which economic growth, consumer confidence and business confidence all fell simultaneously.

The MSCI Europe Index, which includes exposure to the UK, rose 6.6% in Q4. In the eurozone, however, equities were unable to recovery fully from the Omicron scare, due to a number of factors: less exposure to energy and finance than the UK; a less-than-stellar earnings season; more reliance on the domestic currency, which depreciated after the Fed announced an accelerated tightening schedule; and the increased likelihood of lockdowns, given a more amenable political climate throughout much of Europe. On a positive note, the economy in the eurozone appears to be much better positioned than in the UK. Real GDP grew a solid 2.2% in Q3 (2.2% in Q2) with strong economic readings in October and November. Business confidence did come down near the end of the year on worries over Omicron and inflation, which reached 4.9% in November — the highest level since records began in 1997. These pricing pressures led the European Central Bank to announce in December that it would slow pandemic-related asset purchases and wind them down by the end of the first quarter.

Japan's Nikkei 225 Stock Average fell 2.1% in a volatile Q4. The quarter for equities began in freefall, as both monetary and fiscal stimulus came into doubt. While growth stocks in the tech-dominated sector were hit by tightening signals from the Fed, low poll numbers for incoming Prime Minister Fumio Kishida suggested he might not be able to earn the majority required to deliver on his massive fiscal stimulus platform. Stocks then rebounded, as Kishida earned an easy majority and announced an even larger fiscal package of 56 trillion yen (US$480 billion). Shares were held back late in the quarter due to the continued microchip shortage and fears of an Omicron-induced economic slowdown. Dismal data didn't help, either. Growth dropped 3.6% in the third quarter, in part due to a state of emergency that only ended on October 1. Economists expect a rebound in Q4, but the early emergence of Omicron in the megacity of Tokyo has cast a pall over the market.

Emerging markets fell on fears of an economic slowdown and geopolitical tensions. The MSCI Emerging Markets Index fell 0.8% in Q4, led by a steep decline in Russia, which faces unprecedented sanctions if President Vladimir Putin decides to carry out his threatened invasion of Ukraine. Russian GDP growth waned to 4.3% y/y in Q3 (10.5% in Q2) on weaker trade, exacerbated by a currency crisis in nearby Turkey. Equities also fell hard in Brazil, where the government is preparing to exceed its legally mandated spending cap, and where President Bolsonaro faces a criminal investigation by the senate into his handling of the pandemic. The economy contracted there for the second consecutive quarter, by 0.1% y/y (-0.4% in Q2). Indian shares were down slightly on fears over inflation, falling metal prices and, later in the quarter, the looming threat of Omicron, with the memories of the most recent wave's devastation still fresh in the minds of investors. In Q3, however, in the wake of the post-Delta economic reopening, the economy surged 8.4% y/y (20.1% in Q2). Chinese stocks provided some ballast for emerging markets, recovering somewhat after solid industrial and retail economic data and a November call with the U.S. president that was perceived to be friendly. TD Economics forecasts 2021 growth of 4.6%, 4.9%, 9.3% and 8.1%, respectively, for these nations.

Appendix A – Important Disclosures

The information contained herein has been provided by TD Wealth and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance.

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