TD Wealth

Q1 | Quarterly Market Review

Everything you need to know about the quarter that was

April 4, 2022

Wealth Investment Office

QMR - Q1 22 | Highlights

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Unless otherwise indicated, performance figures are stated on a total-return basis. This document is for distribution to Canadian clients only. Please refer to Appendix A of this report for important disclosure information.

U.S. Equities

- Major U.S. equity indices fell in a volatile first quarter as the Ukrainian war threatened to damage the global economy and aggravate inflation that is already at 40-year highs.
- The S&P 500 fell 4.6% in Q1, the Dow fell 4.1% and the Nasdaq Composite Index fell 9.0%.
- Only two of 11 sectors in the S&P 500 produced a positive return. Energy and utilities returned 39.0% and 4.8% respectively. Telecommunications was the worst-performing sector, falling 11.9%.
- Large-cap stocks outperformed small-caps; value stocks outperformed growth.

Canadian Equities

- In the first quarter of 2022, equities north of the border proved to be an effective hedge against struggling U.S. stocks. Despite extreme uncertainty, the broad Canadian index rose on higher exposure to banking, energy and mining stocks.
- The S&P/TSX Composite Index ended the quarter up 3.8%. Seven of 11 S&P/TSX sub-indices posted positive returns.
- Small-cap stocks outperformed large-caps in Q1; growth stocks outperformed value.

Canadian & U.S. Fixed Income

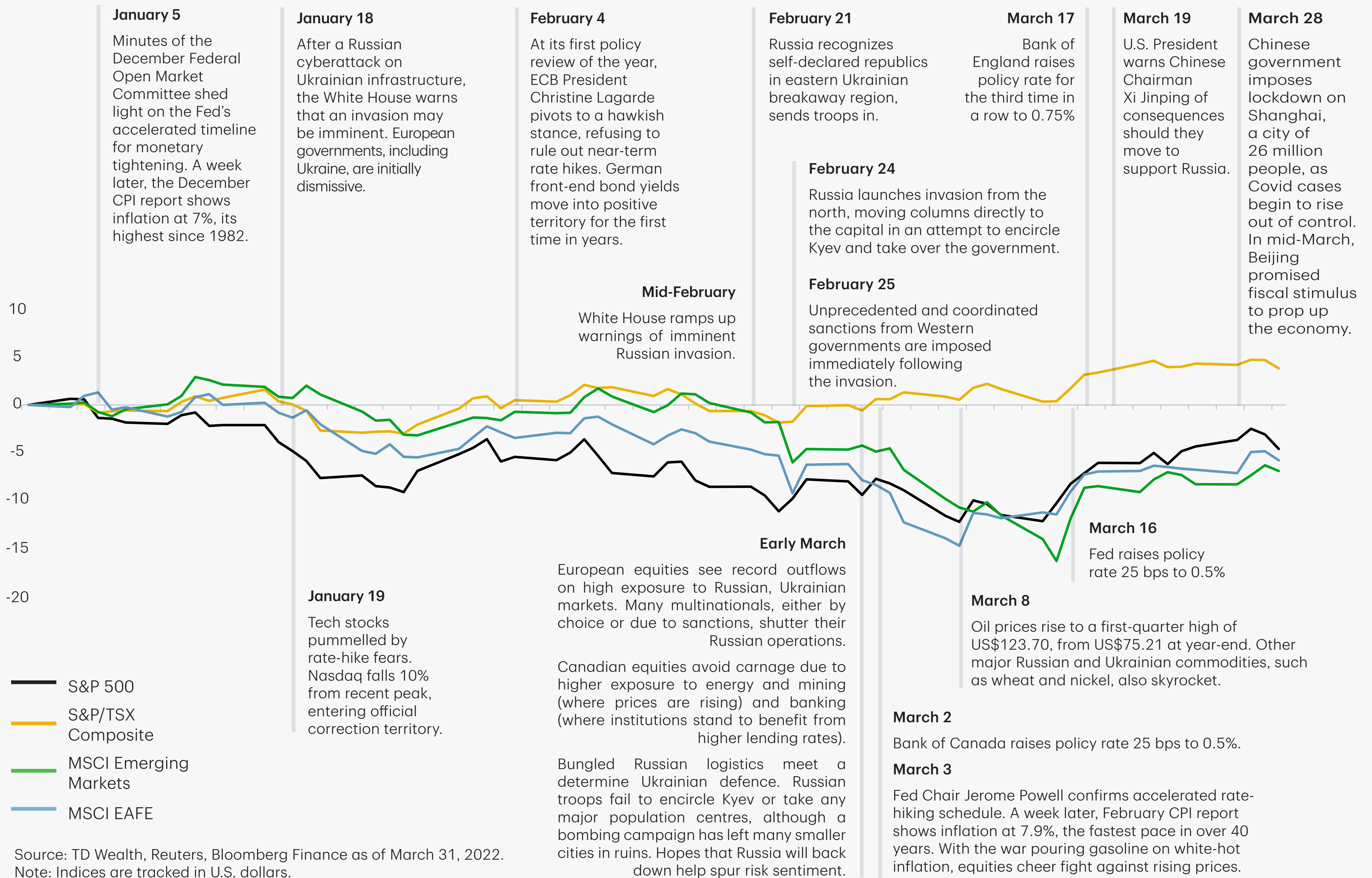
- The Canadian government bond index fell 7.2% in Q1; the U.S. government bond index fell 5.5%.
- Canadian and U.S. investment-grade corporate bond indices registered returns of -6.4% and -7.7%, respectively.
- U.S. investment-grade corporate spreads widened by 24 bps over the quarter, while high-yield spreads widened by 42 bps.

International Equities

- International developed markets slightly underperformed their American peers in Q1.
- The MSCI Emerging Markets Index fell 6.1% in Q4, due to exposure to Russian equities, which were down 28% on Western sanctions following President Vladimir Putin's decision to invade Ukraine.
- Chinese equities also fell hard in Q1, driven mainly by a pandemic surge that has locked down Shanghai.
- In Brazil, meanwhile, shares surged on commodity strength and a rising currency, supported by a rate hike to 11.75%.

Market Movers

Equities in Review



Source: TD Wealth, Reuters, Bloomberg Finance as of March 31, 2022.
Note: Indices are tracked in U.S. dollars.

U.S. Equities

Indices	Q1 Return (%)	Q1 Return (%, C$)	YTD Return (%)	YTD Return (%, C$)
Dow Jones Industrial Average Index	-4.10	-5.37	-4.10	-5.37
S&P 500 Index	-4.60	-5.86	-4.60	-5.86
S&P 400 Index	-4.88	-6.13	-4.88	-6.13
NASDAQ Composite Index	-8.95	-10.15	-8.95	-10.15
Russell 2000 Index	-7.53	-8.75	-7.53	-8.75

Source: Bloomberg Finance as at March 31, 2022. Total index values and returns. Index returns calculated in local currency and C$.

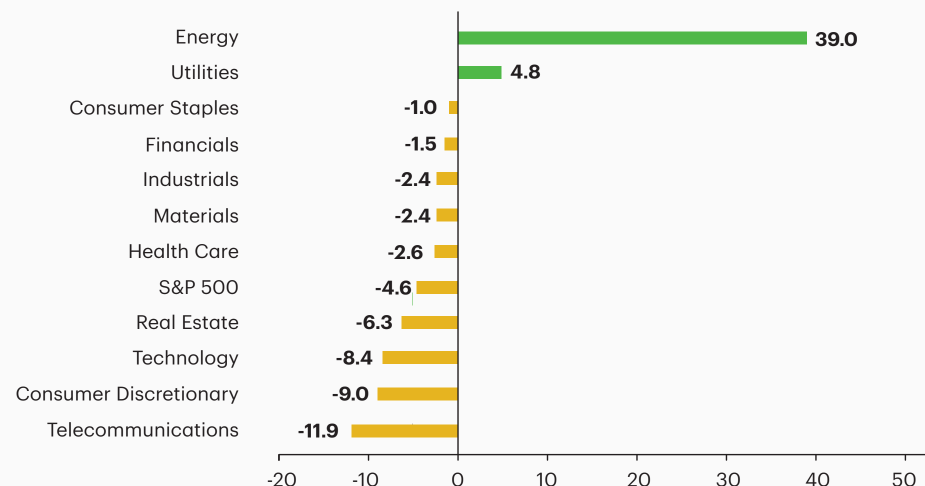
Major U.S. equity indices fell in a volatile first quarter as the Ukrainian war threatened to damage the global economy and aggravate inflation levels not seen since the early 1980s. At the start of the quarter, markets were taken aback by the Federal Reserve's announcement that it would rapidly accelerate its monetary tightening schedule. Tech stocks were pummelled — with the Nasdaq recording a correction en route to bear-market territory — as Fed officials lined up to beat war drums in their battle against inflation.

By the end of January, however, the focus had shifted away from policy battles and toward the very real battle that loomed over Ukraine, after numerous warnings from the White House were largely dismissed throughout much of Europe. Nevertheless, on February 21, the Russian government recognized the breakaway Donbas region along Ukraine's eastern border and ordered a troop deployment into the disputed territory. Three days later, the Russians invaded from the north in the most significant European conflict since the Second World War.

Stocks fell hard until around mid-March, as the price of Russian and Ukrainian commodities (wheat, nickel) and energy skyrocketed, but equities pared back most of its losses late in the quarter as it became clear that robust Ukrainian defenses had stalled the Russian attack, which could, along with unprecedented sanctions from the West, force Russia to back down. Surging commodity prices also flipped the script on the Fed's aggressive new posture, with investors cheering the central bank's decision in March to stick to an accelerated schedule for rate hikes.

For the three months ended March 31, 2022, the S&P 500 fell 4.6%, the Dow Jones Industrial Average fell 4.1% and the Nasdaq Composite Index fell 9.0%. Only two of 11 sectors in the S&P 500 produced a positive return. Energy and utilities returned 39.0% and 4.8% respectively. Telecommunications was the worst-performing sector, falling 11.9%. Large-cap value stocks

Q1/22 S&P 500 Sector Returns



Source: Bloomberg Finance as of March 31, 2022.

outperformed during the quarter. Large-cap stocks (S&P 500) declined by 4.6%, outperforming small-cap stocks (Russell 2000), which returned -7.5% in the first quarter. Growth stocks (S&P 500 Growth Index) declined by 8.6% during the quarter, underperforming value stocks (S&P 500 Value Index), which returned -0.17%.

Despite the Omicron wave and rising geopolitical tensions, the economy ended last year on a high note. On February 24, the Bureau of Economic Analysis published its second estimate for growth in the fourth quarter of

2021. Economic expansion came in slightly above expectations, surging ahead 7% (q/q annualized, 2.1% in Q3, 5.7% in 2021) as supply-chain adjustments allowed vendors to replenish inventories. Consumer spending grew a solid 3.1% in Q4, led by a healthy 3.9% rise in services spending, while outlays on durable goods stabilized at 2.7% growth, after plunging 24% in Q3. Business investment rose 3.1% (1.5% in Q3), with the shift from tangible to intangible spending (e.g., from real estate to software) largely offsetting each other.

Moving into the first quarter of 2022, business confidence fell off record highs as geopolitical risks mounted. The Institute of Supply Management's purchasing managers index (PMI) for services plummeted from a record of 69.1 in November to 56.5 in February. The ISM Manufacturing PMI, meanwhile, rose to 58.6, up marginally from 57.6 in January. These PMIs represent a significant weakening of business confidence, but it should be noted that purchasing intent remain firmly in expansionary territory. (Readings above 50 denote economic expansion.) TD Economics is predicting an abrupt economic slowdown in Q1, with real GDP forecasted to rise only 0.6%. TDE has also cut its projection for 2022 economic growth to 2.3% from 3.2%.

Declining business confidence hasn't yet impacted the labour market, which continues to tighten due to a shortage in the high-contact services economy (retail, restaurants, recreation). Hourly earnings rose 5.1% in February (y/y) and the unemployment rate fell to a post-pandemic low of 3.8% (4.2% in November). Although the pandemic wave caused by the Omicron variant interrupted hiring in November (210,000 jobs) and December (199,000 jobs), this proved to be a short-lived affair; in January and February, the U.S. labour market surged ahead with 467,000 and 678,000 jobs respectively. TDE expects that heightened geopolitical risks will eventually have an effect on employment prospects.

Geopolitics, however, will not do much to derail the Fed's aggressive rate-hiking schedule. The war in Ukraine has poured gasoline on already white-hot inflation numbers, providing ample rationale for tightening. From December through February, core y/y inflation (which excludes volatile food and energy prices) rose to 5.5%, 6.0% and 6.4% — a near 40-year high. In March, as expected, the Fed ended its quantitative-easing program and followed up with its first rate hike in three years, pushing the upper bound of the federal funds target range to 0.5%. The Fed dot plot shows seven 25-bp rate hikes this year. TD Economics expects one 50-bp hike and another three 25-bp hikes in 2022. That would leave the policy rate at 1.75% by the end of the year.

Canadian Equities

Indices	Q1 Return (%)	YTD Return (%)
S&P/TSX Composite Index	3.82	3.82
S&P/TSX 60 Index	3.47	3.47
S&P/TSX Completion Index	5.21	5.21
S&P/TSX Cdn SmallCap Index	8.41	8.41
S&P/TSX Preferred Share Index	-3.66	-3.66

Source: Bloomberg Finance as of March 31, 2022. Total index values and returns, except the S&P/TSX Preferred Share Index which is reported on a price-return basis.

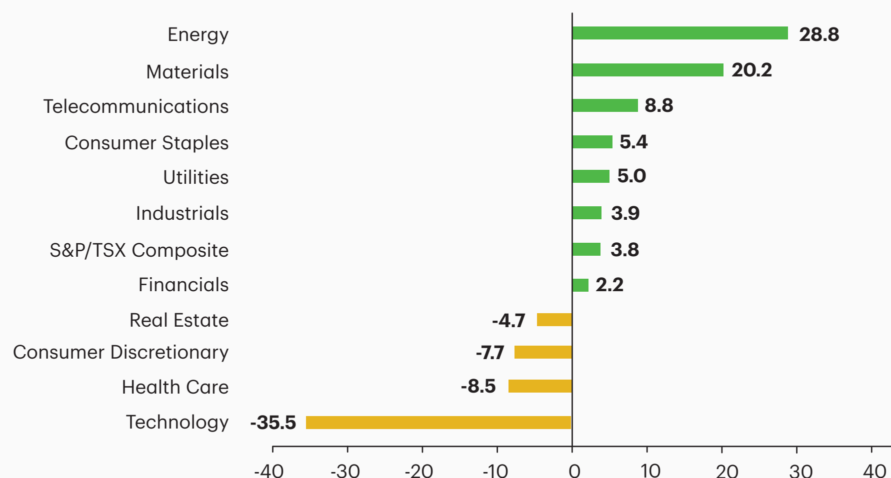
In the first quarter of 2022, equities north of the border proved to be an effective hedge against struggling U.S. stocks. Despite extreme uncertainty, the broad Canadian index rose on higher exposure to banking, energy and mining stocks. This outperformance did not come without a few nervous moments, however. In January, Canadian investors, much like their American counterparts, were taken aback by the Fed's announcement that it would accelerate its schedule for rate hikes and the withdrawal of monetary stimulus.

By the end of the month, though, Canadian stocks had rebounded completely on the strength of the banking sector, which stands to benefit from higher lending rates, as well as energy and commodity prices, which rose as the U.S. administration raised alarm bells over a possible Russian invasion. The American warnings proved all too true, when on February 24, Russian troops invaded Ukraine from the north. Greater geopolitical certainty seemed to spur Canadian stocks from that point on; equities rose on the back of skyrocketing Ukrainian and Russian commodities — many of which are also key Canadian exports.

The S&P/TSX Composite Index ended the quarter up 3.8%. with seven of 11 sub-indices posting positive returns. Small-cap growth stocks outperformed in the first quarter. Small-cap stocks (S&P/TSX Canadian Small Cap Index) rose by 8.4%, outperforming large-cap stocks (S&P/TSX 60 Index), which rose 3.5%. Growth stocks (MSCI Canada Growth Index) increased 10.7% over the quarter, outperforming value stocks (MSCI Canada Value Index), which ended the quarter at -3.6%.

West Texas Intermediate finished the quarter at US$100.28, up a substantial 33.3% from the US$75.21 close on December 31, 2021. The quarter was marked by significant upward volatility as WTI reached an intraday peak of $130.50 in early March as fears over the impact of sanctions on Russian oil

Q1/22 S&P/TSX Sector Returns



Source: Bloomberg Finance as of March 31, 2022. Index total returns.

exports hit the market. Prices then began to soften on news of releases from strategic oil reserves and other supply sources and the potential for some demand destruction caused by the high prices.

Financials lost steam during Q1 but managed to post a positive return. Canadian financials rose 2.16%, reflecting a 3.44% increase for banks that was driven by rising rates and strong fiscal Q1 earnings. Insurers increased 5.37%, while diversified financials dropped 7.51%. Domestically focused banks with high sensitivity to interest rates outperformed global ones with high capital-markets exposure. The spot price of gold, meanwhile, ended

the quarter at US$1,954.00, up 6.9% from close at year-end. Gold spiked to an intra-day high of US$2078.80 in early March after Russia initiated its invasion of Ukraine but eased later in the month.

The Canadian economy ended 2021 on a high note. In February, Statistics Canada reported that economic growth for Q4 had beaten expectations, accelerating to 6.7% (5.4% in Q3, 4.6% in 2021, q/q annualized). Supply-chain adjustments allowed businesses to clear backlogs and replenish their inventories, which on its own accounted for 4.2 percentage points of the headline growth figure. Businesses also amped up their investment spending, which grew at 7.9% (-18% in Q3), with spending on residential structures rebounding 10.2% after an abysmal Q3 (-31.3%). Investment in machinery and equipment also contributed, up 4.7%. Household consumption, meanwhile, came in at a disappointing 1% in Q4.

Real GDP is now sitting just above pre-pandemic levels, but TD Economics expects growth in coming quarters to cool as Chinese lockdowns (due to the rising incidence of Omicron on the mainland) and extreme inflationary pressures (stemming from the Ukrainian war) create a drag on the global economy. That said, the domestic economy is still bouncing back as restrictions ease, which should set up Canada to outperform over the remainder of 2022. On balance, TDE has cut its forecast for Q1 growth to a still strong 3.1% (from 4.9%) and has also cut its full-year forecast to 3.9% (from 4.4%).

Domestic strength is also reflected in the labour market, where the economy has reached full employment. The unemployment rate is now lower than it was in February 2020, with tightness still evident in the accommodation and food-services industry, where restaurant workers are searching for more stable arrangements. The Canadian labour market added 55,000 jobs in December before the recovery was stopped dead in its tracks by the Omicron wave. In January, 200,000 jobs were lost due to layoffs. These, however, proved to be short-lived, leading to a roaring comeback in February, with 337,000 jobs created. Over the course of these three months, the unemployment rate fell from 6.0% to 5.5%.

Alongside the tight labour market, household wealth continued to rise in Q4 — up 4.6% due to gains in both investments and real estate. The wealth of Canadians has risen 30% over the past two years, mostly due to gains in home prices, which took flight in 2020 when interest rates (and thus mortgage rates) were slashed. The fourth quarter represented something of an inflection point, or possibly a peak, for household finances, however. Disposable income dropped 5.2%, with a ratio to debt that now stands at 186.2%, an all-time high. The debt-serving ratio, meanwhile, remains low at 13.8%, but is beginning to tick upward. With rapidly rising prices, higher interest rates and weaker equity and real estate markets, households are facing a laundry list of challenges.

At the top of this list is inflation, which was already at 30-year highs before the Ukrainian war lit a fire under commodity prices. From December through February, core inflation (CPI-Common) rose from 2.1% to 2.6%, achieving the Bank of Canada's oft-cited goal of sustained inflation above 2%. By other measures, inflation has already far surpassed this threshold. The more volatile consumer price index (which includes energy and food prices) recorded an annual increase of 5.7% in February due to a 32.3% rise in gasoline prices (y/y) and a 7.4% rise in food prices.

The outlook for inflation is clouded by the war. Rising commodity prices increase inflation and hurt consumers, but they are not necessarily negative for the Canadian economy overall — a reality that is reflected in the outperformance of Canadian equities in Q1. As such, rising commodity prices should do little to dissuade the Bank of Canada from normalizing monetary policy. The Bank set that process in motion in early March when it raised its policy overnight rate to 0.5%. It's expected to deliver another four 25-basis-point hikes this year. TD Economics, for its part, expects a total of six hikes this year, which would leave the policy rate at 1.75% at year end. It expects at least one more hike in 2023.

Preferred Shares

Canadian preferred shares were not immune to the deteriorating investor sentiment caused by the Ukrainian war and inflation. During times of risk aversion and high volatility, preferred shares get sold off as investors seek safer assets. What makes this time different is that preferred shares have weakened while interest rates have risen significantly. The S&P/TSX Preferred Share Index declined 3.7% in Q1, while the five-year government of Canada yield increased 115 bps to 2.41%. However, consistent with previous trends, Canadian preferred shares outperformed Canadian corporate bonds, which are down 7.5% since the beginning of the year. To put this into perspective, over the past 33 years there have been only three quarters when the five-year benchmark increased more than it did in Q1 — and yet the market is off 4.6% from its October 2021 peak, even as central banks become increasingly hawkish.

In other words, there are two forces pulling the market in opposite directions. Despite the fact that most preferred shares are variable-rate, the overwhelming risk-off sentiment in a rising-rate environment is dampening valuations. At the end of the day, geopolitical risk is one of the top concerns for credit investors, and while preferred shares aren't fixed income instruments, they do have a credit component. The deterioration in investor sentiment can be observed through the Canadian corporate spread, which is the risk premium investors require to buy corporate bonds. Credit spreads widened 27 bps to 147 bps during the quarter, a level last seen in the Q4/18 market selloff.

The redemptions trend continued in Q1 and reached $3.5 billion. This quarter was distinguished by an elevated amount of non-financial redemptions (44% of the total) as companies continue to benefit from favourable pricing in the bond market, given that interest expense for preferred shares is tax-deductible. This is indicative of issuer preference to lock in their coupon payments in expectation of higher interest rates. It's also worth noting that some of the non-financial redemptions are catalyzed by the issuance of subordinated notes that are similar in structure to the limited recourse capital notes being issued by banks and insurers. Issuance remained relatively muted, with only one perpetual issue from Intact Financial Corp. (IFC.PR.K) that was priced at 5.25%.

The average yield on investment-grade fixed rate-resets was relatively unchanged at 4.6%. The yield on investment-grade perpetuals increased to 5.2% from 4.9% in Q4, which is equivalent to a bond yield of 6.7% after accounting for the tax advantage of Canadian dividends.

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	0.73	0.57	0.57	0.48	0.45	0.45
2-Year Government Bonds	2.29	1.34	1.34	2.33	1.60	1.60
5-Year Government Bonds	2.41	1.15	1.15	2.46	1.20	1.20
10-Year Government Bonds	2.40	0.98	0.98	2.34	0.83	0.83
30-Year Government Bonds	2.38	0.70	0.70	2.45	0.54	0.54

Source: Bloomberg Finance as of March 31, 2022. Index returns are reported on a total-return basis; pp (percentage point).

Fixed income markets experienced a painful normalization over the first quarter. Price pressures broadened and developed-market central banks pivoted in a decidedly hawkish direction. This resulted in sharp upward market repricing of government bond yields across the maturities, with shorter-maturity government bond yields moving more than long-maturity bond yields, and therefore flattening the government yield curve. The higher yield drove most of the underperformance in fixed income, with -7.0% for the FTSE Canada Universe Bond Index, while the Bloomberg U.S. Aggregate Bond Index (CAD-hedged) posted -5.9% over the same period. Almost nothing was left unscathed within fixed income universes. Differing levels of interest-rate sensitivity drove relative outperformance, but with absolute negative returns.

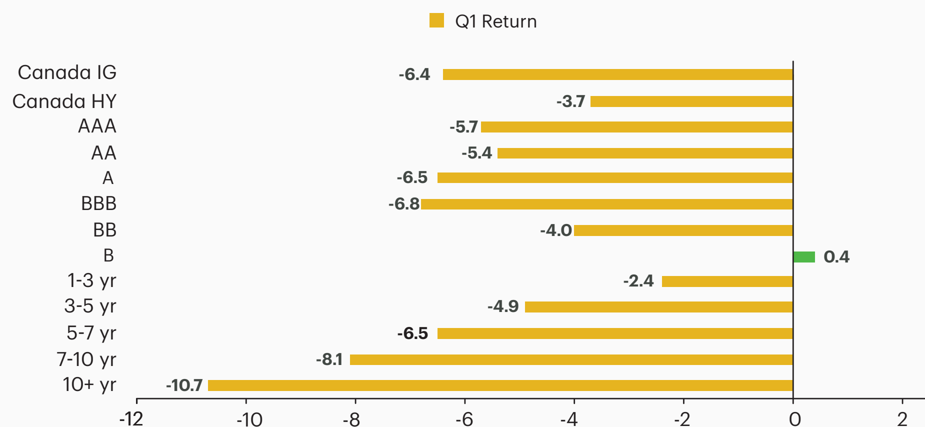
In the U.S., the highlight was the build-up to the March FOMC meeting, at which the Fed lifted the upper bound of the federal funds range to 0.5% and announced that the tapering of its balance sheet will start in the coming months. The Fed thus executed the first of what is broadly expected to be a series of rate hikes taking place over the coming months. With the economy showing no signs of ebbing, and inflation at multi-decade highs, there is considerable pressure on the Fed to get rates up to a level that can break the current inflation trend. The median projection for the fed funds rate was lifted to 1.9% in 2022, 2.8% in 2023 and 2.8% in 2024. The long-run neutral rate stayed at 2.4%.

As widely expected, the Bank of Canada raised the overnight rate to 0.5% in its March meeting, likely setting in motion a series of interest-rate hikes over the next several months. It also stated that it will continue the reinvestment phase of its balance sheet by maintaining its holdings of Government of Canada Bonds. It stated that “inflation is now expected to be higher in the near term than projected in January.”

Fixed Income Indices	Q1 Return (%)	YTD Return (%)
FTSE Canada Universe Bond Index	-7.0%	-7.0%
FTSE Canada Universe All Government Bond Index	-7.2%	-7.2%
FTSE Canada All Corporate Bond Index	-6.4%	-6.4%
FTSE Canada Real Return Bond Index	-9.3%	-9.3%
FTSE Canada Provincial Bond Index	-8.6%	-8.6%

Source: Bloomberg Finance as of March 31, 2022. Index returns are reported on a total-return basis.

Canadian & U.S. Fixed Income



Source: Bloomberg Finance as of March 31, 2022.

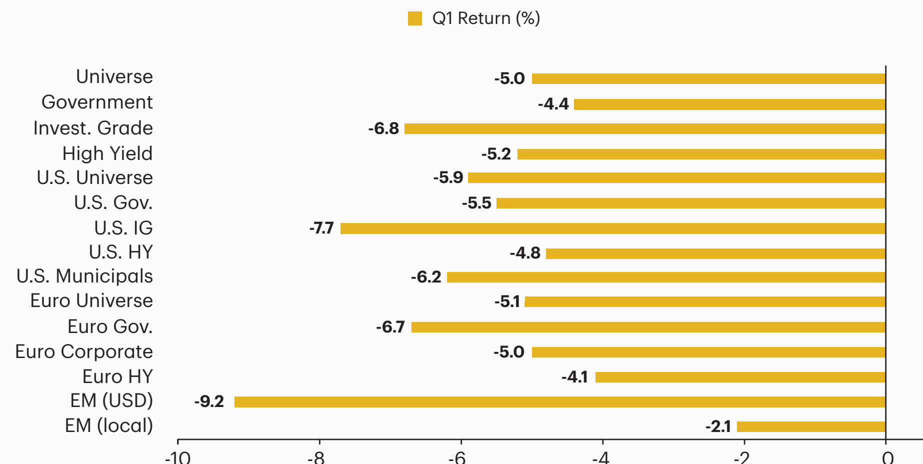
Broad global fixed income, represented by the Bloomberg Global Aggregate Index (CAD-hedged), posted -5.0% over the quarter. Canadian government bonds underperformed U.S. Treasuries and the global universe, with the U.S. Treasury index (CAD-hedged) returning -5.5%, while the Canadian government bond index returned -7.2%. The U.S. 10-year Treasury yield started the quarter at 1.51% and ended at 2.34%, while the equivalent Canadian government bond yield started at 1.42% and ended at 2.40%.

Hawkish central banks, higher inflation, heightened volatility in government yields, the Ukraine-Russia conflict — all these led to widening in credit spreads. On the Canadian side, the investment-grade spread widened by 27 bps and ended the quarter at an option-adjusted spread of 138 bps. Due to wider spreads and higher government yields, the sector posted returns of -6.4% but modestly outperformed the aggregate Canadian fixed income index return of -7.0%. Diving deeper, Canadian AA-rated corporate credit benefitted the most due to stronger balance sheet and therefore less credit-spread widening, posting returns of -5.4% and outperforming lower-quality BBBs at -6.8%, A-rated credit at -6.5% and AAA-rated credit at -5.7%.

Understandably, the longest-maturity corporate bonds underperformed medium- and short-maturity bonds, as rising government bond yields impacted longer maturities more, while credit spreads also widened across the credit maturity profile. Over the quarter, the shorter-maturity cohorts of three- to five-year and one- to three-year bonds returned -4.9% and -2.4%. The medium-maturity cohort of seven- to 10- year and five- to seven-year returned -8.1% and -6.5%. And the longest-maturity cohort of 10-year-plus posted returns at -10.7%. Higher real yields offset the improving inflation contribution for Canadian real-return bonds and led the sector to post returns at -9.3%, underperforming the government bond universe at -7.2%. Canadian provincial bonds, also with higher interest-rate sensitivity, underperformed corporate bonds over the quarter, returning -8.6%.

For global corporates, we witnessed similar action in government bond yields and spreads. U.S. investment-grade corporate spreads widened by 24 bps over the quarter, while U.S. sub-investment-grade ("high-yield") corporate spreads widened by 42 bps. The U.S. investment-grade corporate bond universe (CAD-hedged) returned -7.7%, underperforming the global investment-grade corporate universe (CAD-hedged), which returned -6.8%. U.S. sub-investment-grade corporate bonds (CAD-hedged) lost -4.8% over the quarter, outperforming the global sub-investment-grade corporate universe (CAD-hedged) at -5.2%. USD emerging-market debt was severely punished over the quarter, posting -9.2% due to higher yields and wider spreads, while local-currency debt returned -2.1%.

Global Fixed Income



Source: Bloomberg Finance as of March 31, 2022.

International Equities

Indices	Q1 Return (%)	Q1 Return (%, C$)	YTD Return (%)	YTD Return (%, C$)
FTSE 100 Index	2.88	-1.45	2.88	-1.45
DAX Index	-9.25	-13.21	-9.25	-13.21
CAC 40 Index	-6.68	-10.37	-6.68	-10.37
MSCI Europe (LC) Index	-5.22	-8.46	-5.22	-8.46
Nikkei 225 Stock Average	-2.48	-9.77	-2.48	-9.77
MSCI Emerging Markets Free (LC) Index	-6.06	-8.20	-6.06	-8.20

Source: Bloomberg Finance as at March 31, 2022. Total index values and returns. Index returns calculated in local currency and C$.

International developed markets slightly underperformed their American peers in Q1. In the United Kingdom, the blue-chip FTSE 100 was the top performer, returning 2.9%. Through most of February, stocks were rangebound in tense trading as tailwinds for commodities and finance met headwinds from inflation, geopolitics and a hawkish central bank. Stocks plummeted in late February after a number of exposed multinationals, notably BP, announced that they would be shuttering operations in Russia. Stocks rebounded, though, on skyrocketing commodity prices and banks, which stand to benefit from higher lending rates. Economic growth in the UK was solid to end the year, rising 4.0% in Q4 (q/q annualized, 5.2% in Q3). Although businesses have been upbeat in recent months, consumer confidence has been weakened by inflation at 30-year highs, with prices in February up 6.2% y/y. The Bank of England has responded by raising the policy rate three times in Q1, to 0.75%. Recent dovish remarks, however, suggest that the Bank will keep its options open in coming months.

The MSCI Europe Index, which includes exposure to the UK, fell 5.2% in Q1. On the mainland, however — where markets are much more exposed to Ukraine and Russia — European equities declined steadily before falling sharply at the outset of the war. The markets saw record outflows as investors fled for the safety of North American shores. All this turmoil was compounded by sky-high inflation and a hawkish pivot by the European Central Bank. In February, the ECB signalled that it would accelerate the wind-down of its emergency asset-purchase program (APP). The ECB has yet to raise its three policy rates (which range from -0.5% to zero) and the war will no doubt increase its reluctance. Business confidence is still riding high and the labour market is historically tight, but as in other advanced economies, inflation has become a problem.

In February, prices in the eurozone rose 5.8%, the highest in the history of the currency bloc. Prices will no doubt rise further, as the war limits supply for commodities and energy. Meagre economic growth in Q4 (1.2% q/q annualized) due to the spread of the Omicron variant may also keep rate hikes at bay.

Japan's Nikkei 225 Stock Average tracked American indices, falling 2.5% in a volatile Q1. In January, worries about U.S. rate hikes and spiking Covid cases in Tokyo and Osaka sent the tech-heavy Nikkei into decline. Automakers were particularly hard hit amid the continuing global chip shortage. Stocks managed a partial recovery after a positive earnings report from Apple and a decision by Prime Minister Fumio Kishida to refrain from further lockdowns. Then, in February, investor focus shifted to Ukraine and skyrocketing oil prices, which threaten to slow the energy-dependent Japanese economy. In March, hopes for a ceasefire and extreme dovishness from the Bank of Japan spurred markets to pare back most of its losses. The BoJ kept its short-term policy rate unchanged at -0.1% but offered to purchase an unlimited amount of bonds to keep the 10-year yield around zero, as part of its "yield curve control" policy. In the fourth quarter, real GDP grew 5.4% (q/q annualized) after the pandemic-induced state of emergency was lifted. Although business confidence has been weak, in February the Jibun Bank Composite PMI rose from 45.8 to 49.3, suggesting that businesses may be moving back into an expansionary mode.

Emerging markets fell on exposure to Russian equities. The MSCI Emerging Markets Index fell 6.1% in Q1, led by a 28% decline on the Moscow Exchange after Western nations imposed the steepest sanctions in history. The Russian government has blocked foreigners from selling Russian stock and has put aside US$10 billion to purchase equities directly. In an effort

to support the collapsing rouble, which had fallen close to 50% against teh U.S. dollar at the outset of the war, Russia's central bank more than doubled its policy rate to 20%. Chinese equities also fell hard in Q1, driven mainly by a pandemic surge that has locked down Shanghai, a city of 26 million people. Economic growth accelerated to 6.4% in Q4, but business confidence has been weakened. Indian shares were flat, as the government there attempts to walk a fine line between its relationships with Western and Russian governments. The Indian economy decelerated to 6.4% in calendar Q4, but unexpected central-bank dovishness has helped to keep shares aloft. In Brazil, meanwhile, shares surged on commodity strength and a rising currency, supported by a rate hike to 11.75%. The Brazilian economy exited a technical recession in Q4, with 2% growth, but inflation remains high, at over 10%, and business confidence low. TD Economics forecasts 2022 growth of -8.0%, 5.4%, 8.8% and 0.7%, respectively, for these nations.

Wealth Investment Office, TD Wealth

Head of Wealth Investment Office
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Chadi Richa | Manager, North American Equities
David Beasley | Senior Portfolio Manager, Global Equities
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Managed Investments:
Christopher Lo | Head of Managed Investments
Aurav Ghai | Senior Fixed Income Analyst
Kenneth Sue | Senior Alternative Investments Analyst
Mansi Desai | Senior Equity Analyst
Van Hoang | Global Macro Strategist

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