



Unhappy COVID Anniversary

Just over a year ago Canada recorded its first COVID related death. More than a year later, COVID 'exhaustion' is becoming a new, equally threatening variant, as citizens and their political leaders struggle to deal with the pandemic. Governments reverse course far too frequently and Ontario appears to be ready to enact their second State of Emergency.

With almost 20% of American adults fully vaccinated, the light at the end of the proverbial tunnel is starting to brighten. The relative toll has been significant with almost 560,000 US deaths and close to 31 million cases. The Biden administration is well beyond lip service combating COVID and is rolling out vaccines at an inspiring pace. On the other hand, Canada's inoculation pace lags every G8 country. Ontario proudly boasts its COVID rules, namely lockdowns, as among the most stringent worldwide. While this is positive in one light, the economic strain increases. Ontario is presently in its third wave and stricter regulations are imminent. It is easy to criticize and undermine government action however there seems to be one simple rule that, if followed, may have been far more effective at dealing with this problem; harshly punish those who violate the rules. There are far too many examples of low compliance by big (primarily international) box stores, and flagrant disregard by a relatively small group of individuals. While the following percentages are not scientific but more for general illustrative purposes, 95% of the population is being punished for the 5% of those who shamelessly disregard the community at large.

Over the past quarter, investors returned to more traditional sectors. Energy was the leading sector in the past quarter. Financials, also had double digit quarterly gains providing decent back to back quarterly returns for the first time in a while. Even the Real Estate sector had another decent quarter. More cyclical names attracted increased attention as the prospect for a return to more normal levels of economic activity improved. This, in turn, pressured bond yields higher as the fixed income markets posted a quarterly loss.

With the third wave and new variants to combat, it is hard to predict what lies ahead in the second quarter however, we do take comfort that the markets are embracing a more traditional style of investing. Many 'traditional' companies, among them BCE, Enbridge, CN Rail to name a few, have increased their dividends recently. Importantly, financial regulators appear to be willing to lift the restrictions on the companies they oversee which should lead to potential stock buy backs and, important to us, dividend increases for many of the companies in the sector.

As vaccinations continue to be rolled out to the general population, we believe the financial and economic light at the end of the tunnel will continue to brighten and feel increasingly comfortable with our predictions from the beginning of the year.