AGF ASSET ALLOCATION COMMITTEE

Q1 2022 Outlook

Global Growth

The economic recovery continues to grind ahead despite near-term hurdles. However, imminent launch of a new rate hiking cycle may cause heightened volatility and slower growth relative to prior quarters.

Policy & Politics

Policy error poses a key risk as central banks attempt to stem inflation without derailing their respective economies. Geopolitical tensions have flared in several regions including the U.S., China, Russia and Ukraine.

Fixed Income

Fixed income will likely be defined by central bank activity. A well-telegraphed path and reasonable cadence towards interest rate targets could soften damage in rates markets, however high yield and emerging markets bonds offer greater upside at this time.

Equities

Improvement in supply chain issues and COVID setbacks could support equity growth. Volatility may increase as markets adjust for restrictive policy measures. Select developed markets are preferred over emerging markets.

Commodities

A period of consolidation following a strong run is possible, however demand remains supportive. Supply chain constraints and political developments may influence the direction of prices.

Currency

The U.S. dollar is supported by risk sentiment, rates and decelerating growth, while Canadian dollar outperformance may level off if commodity demand subsides. Other factors including inflation, supply chain constraints and geopolitical tensions will also influence the direction of currencies.

Canada

Canada's Energy and Materials sectors benefit from higher commodities prices, and the global reopening trade should be supportive of performance.

U.S.

U.S. equity markets are adjusting for a new set of policy measures. However, positive earnings, adequate liquidity and company buybacks support U.S. equities.

Europe

Europe is well positioned with its value-tilted markets and a rather accommodative central bank. Performance in Europe is somewhat dependent on the health of the global economy, however.

Japan

Japanese equities have excelled during rising rate cycles historically and the local economy would benefit from re-acceleration in China. The state of Japan's government may temper returns, however, as the market evaluates proposed policies.

For more information on the AGF Asset Allocation Committee or to read their most recent quarterly outlook, visit AGF.com.

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