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Canaccord Genuity Wealth Management

BIG BADGER INVESTMENT GROUP

The Delta Variant – What to Expect?

(Data in this posting below gathered from August 17, 2021)

The Delta variant of Covid-19 is creating a frightening deja vu in many countries that are critical to global supply chains, posing another risk to global markets. The high number of infections is forcing governments to take drastic measures to try and limit disruption.

In a recent update to its World Economic Outlook (WEO), the International Monetary Fund forecast emerging Asia will grow 7.5% this year, down 1.1% points from its previous projection made in April. That was a much more significant downgrade than a 0.4 point mark-down for emerging economies across the globe. Click here for the full article.

Since last year, China's most severe coronavirus outbreak has added to concerns over an economic slowdown in the country, as Beijing rushes to contain a rise in cases linked to the highly transmissible Delta variant. The outbreak is another challenge for Beijing after a series of recently published data and policy measures indicated that China's roaring economic recovery from the pandemic was under pressure.

China's factory activity expanded in July at the slowest pace in 17 months as higher raw material costs, equipment maintenance and extreme weather weighed on business activity, adding to concerns about a slowdown in the world's second-biggest economy. China's zero-tolerance approach could present significant downside risks to the current economic recovery.

North American Update

When looking at North American markets, two key indicators suggest we might see a correction in equities. First, we look at high yield credit. High yield credit represents the debt of companies that are at high risk of default. Bond investors tend to be more sensitive to default/credit risk. As a result, a high yield credit (HYG) tends to lead the S&P 500. Comparing these can give investors insights on what to expect in the short-term future.

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Market Summaries
(As of August 18, 2021 Market Close)

S&P/TSX Composite
$14,526.89 - +14.44% YTD

S&P/TSX Venture
$877.58 - -2.81% YTD

Dow Jones Industrial Average
$34,969.96 - +15.12%

S&P 500
$4,400.37 - +18.75% YTD

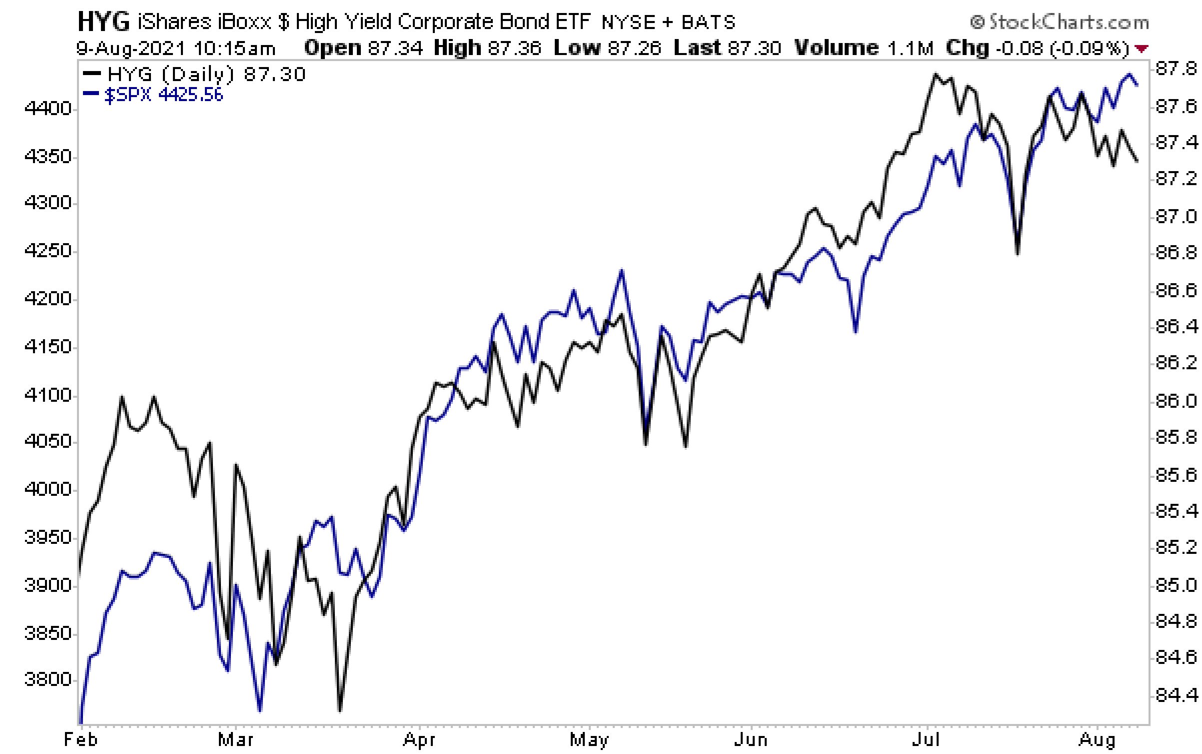
Nasdaq Composite
$14,526.89 - +14.37% YTD

Currency Summary

CAD/USD - $0.79

Commodity Summary

Gold - $1,786.17
WTI Crude Oil - $64.87



As you can see above, HYG is breaking down, suggesting that stocks are in for a correction to the HYG level.

Another market metric that is pointing towards a correction is market breadth. Market breadth is a measure of how many stocks are participating in the market movement. As we stated a few weeks ago, few stocks are driving the S&P 500 to record highs. This phenomenon is hiding the true market story. If more stocks are dropping, this line falls; if more stocks are rallying, this line rises. As a result, it tends to lead the overall market at turning points since you will usually find fewer and fewer stocks rallying or dropping right before the top or bottom.

In this chart, we can see that breadth is correcting, again suggesting a drop in the near term future in the S&P 500.

Technical analysis is not always correct; we could see the breadth turn up resolving these divergences. Particularly, if we continue to see the monetary and fiscal support we have become accustomed to. However, both these charts warrant acknowledgment, as they suggest a correction to the 4,300 level on the S&P 500 could happen in the short-term. This coupled with uncertainty in China, and the global economies dependence on them, could lead to further downside risks.

Big Proposal

Have you worked with a financial advisor before and had a frustrating experience? Do you feel as if your current financial plan does not align with future objectives? Do you have any pressing financial concerns? Are you looking for a comprehensive performance and risk analysis of your investment portfolio? Do you simply want to get a second opinion on your current portfolio for peace of mind?

At BIG, we use one of the investment industry's most comprehensive performance tools called Zephyr. This program provides people with detailed performance and risk analysis, peer group analysis, style attribution, asset allocation and custom reporting. Using this comprehensive tool, we will create a customized report based on your current portfolio and provide you with a detailed **risk and return assessment.** Following our analysis and debrief of your portfolio, if we find red flags, we will provide you with a BIG tailormade alternative portfolio with a side-by-side analysis of why we believe our solution will better match your investment objectives.

We would be happy to offer this **no-obligation** portfolio review process to you today - and the best part is, the worst news you will receive is that your **existing** portfolio is thoughtfully constructed and seems to be a good fit with your current objectives!

If you have any questions about our process, feel free to contact us by replying to this email, giving us a call or connecting with us through our website.

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