

Issue 56

STILL MARKET

The Dow Jones Industrial Average rose 226.94 points, or 0.7%, to 34,756.39 this past week, while the S&P 500 index advanced 0.6%, to 4229.89, and the Nasdaq Composite gained 0.5%, to 13,814.49. The S&P 500 has stayed relatively still since the middle of April and yes there have been weekly moves of more than 1%, up or down – two of the former, one of the latter-but the index itself has gained just 0.9% since then. Even recent daily moves have been relatively muted. This past Wednesday, the realized five-day volatility of the S&P 500 fell to 1.4%, after having dropped 2.8% on May 28. That doesn't happen all too often – realized volatility has fallen below 3% just 14 times since the start of 2018 and when it does, forward returns have suffered; Six months later, the S&P 500 has been lower more than two thirds of the time, with an average loss of 0.3%. Canadian equities rose 0.9% for a second weekly gain, with the TSX hitting a record high on Friday and closing above 20,000 for the first time ever.

The price of a barrel of oil hit its highest level in two years this past week, as OPEC signaled a slow return to normal production and fuel demand continued to climb. Crude is also getting a lift as activist shareholders push big oil companies to drill less and support climate change goals, which could lead to demand further outstripping supply. Brent crude futures, the global benchmark, settled at \$71.35 a barrel on Wednesday, their top closing price since May 2019, while West Texas Intermediate futures hit their highest levels since October 2018, closing at \$68.33. They finished the week at \$71.89 and \$69.62, respectively.

During an interview with Bloomberg News, U.S. Treasury Secretary Janet Yellen said that President Joe Biden's \$4 trillion spending proposal would be positive for the U.S., even if it leads to a rise in interest rates. The former Federal Reserve chair said the president's plans would total about \$400 billion each year – a level of spending she argued was not enough to create an inflation over-run. "If we ended up with a slightly higher interest rate environment it would actually be a plus for society's point of view and the Fed's point of view," Yellen said Sunday in the interview during her return from the Group of Seven finance ministers' meeting in London.

The debate around inflation has intensified in recent months, between those like Yellen who argue that current price increases are being driven by transitory anomalies created by the pandemic – such as supply-chain bottlenecks and a surge in spending and economies reopen - and critics who say trillions in government aid could fuel a lasting spike in costs.

Brookfield Infrastructure Partners LP raised its hostile offer for Inter Pipeline LTD. to C\$8.4 billion as it sought to break up the company's deal with Pembina Pipeline Corp.,



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MARKET SUMMARIES

(As of this morning before Market Open)

S&P/TSX Composite at 20,029.19
(up 14.89% ytd)

S&P/TSX Venture at 978.01
(up 11.73% ytd)

S&P 500 at 4,229.89 (up 12.61% ytd)

Dow Jones Industrial Avg. at 34,756.39
(up 13.56% ytd)

Nasdaq Composite at 13,814.49
(up 7.19% ytd)

Metals

Gold: \$1892.00

Silver: \$27.90

Copper \$4.53

Energy

Brent Crude Oil: \$71.41

WTI Crude Oil: \$69.62

Natural Gas (\$US/MMBTU): \$3.10



setting off a full-blown takeover battle for Canada's fourth-largest pipeline company. Brookfield Infrastructure said Wednesday it will make a cash-and-stock offer valued at C\$19.75 per share, representing a 4.4% premium to Pembina's all-stock proposal, and take it directly to Inter's investors. The offer, which is nearly three-quarters cash, came a day after Pembina made an all-stock offer that's currently worth about C\$19.25 per share.

Brookfield's new bid for Inter represents the latest twist in a nearly four-month saga for control of the Canadian midstream company that owns pipeline infrastructure across Western Canada, connecting the region's oil sands and natural gas producers with domestic and foreign customers. In February, Brookfield made a C\$7.1 billion offer to buy all of Inter's outstanding shares, but was spurned by the board, which set up a team to review options.

WHAT'S AHEAD

The Fed has committed to only begin scaling back the \$120 billion monthly pace of its asset purchases after there's "substantial further progress" on inflation employment. Chair Jerome Powell, who took the reins at the central bank from Yellen in 2018, has sought to convince investors that he's not considering pulling back support for the economy any time soon. Powell and his colleagues have continued to project their key interest rate at near zero through 2023.

G-7 finance ministers and central bankers held a phone call on May 28 in which the group pressed Yellen on her views on inflation, according to a Treasury official. The group ultimately agreed with her assessment that price spikes through the year are likely to be transitory, said an official. Yellen said that monetary policy makers can handle any potential rise in inflation if it sticks. "I know that world – they're very good", Yellen said in the interview. "I don't believe they're going to screw it up."

"We search through historical data looking for anomalous patterns that we would not expect to occur at random."

Jim Simons

FINANCIAL PLANNING TIP OF THE WEEK

Temporary Insurance Agreements (TIA):

It can take several weeks or even months for the underwriter to completely process a life insurance application, particularly if additional information or a medical examination is required. An applicant typically submits a application because he or she has identified a need for coverage, so you may not be pleased to learn it could take a few months before the policy is issued. For this reason, the agent typically has the authority to issue a temporary insurance agreement (TIA), which will provide some temporary coverage during the underwriting process.

Requirements for coverage will be issued only if the applicant completes a separate application form to answer NO to a short list of health-related questions about the insured. The coverage limits in most cases are limited to the lesser of a fixed amount such as \$250,000.00 or a specific amount of coverage the applicant is requesting. Depending on the insurance company, TIA coverage may begin as soon as the application and premium have been submitted, or it may not start until all medical evidence has been submitted. The TIA remains in effect the date the policy becomes effective; or until the earliest of its expiry date (usually 60 or 90 days).



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