

## **How has inflation impacted the Canadian Equity sector?**

Inflation is a definite issue that's facing all markets, Canada included. We do not want inflation to persist at these high levels. It's bad for the market. It's bad for the economy.

We do expect central banks to react aggressively, which is a challenge for the equity markets. Now, that said, what we can do as investors is put valuation on our side.

We've seen a lot of volatility. We've seen a lot of dispersion in stock movements.

That's giving us opportunities to step in and buy names at a very discounted valuation that's actually already pricing in further rate hikes.

Canada also offers opportunities against inflation. It's probably one of the best-positioned markets when it comes to inflationary pressures.

Oil has definitely benefitted from the inflationary trends. There's also been the war in Russia/Ukraine, which has limited supply, but we'd say the long-term prospects are quite constructive. The industry has underinvested in developing new oil wells. And we have to remember that oil depletes naturally. We need to replace close to 5% of world production on an annual basis. And there's been massive underinvestment in reaching those goals. So we're not surprised to see oil prices react positively. And we think oil is set to trade in a much higher range than the last five years. So we're quite constructive on oil prices.

And we're actually very constructive on the valuations that we're finding in the Canadian marketplace when it comes to the oil and gas sector.

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## **Intended for Canadian Advisors and Accredited Investors**

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