

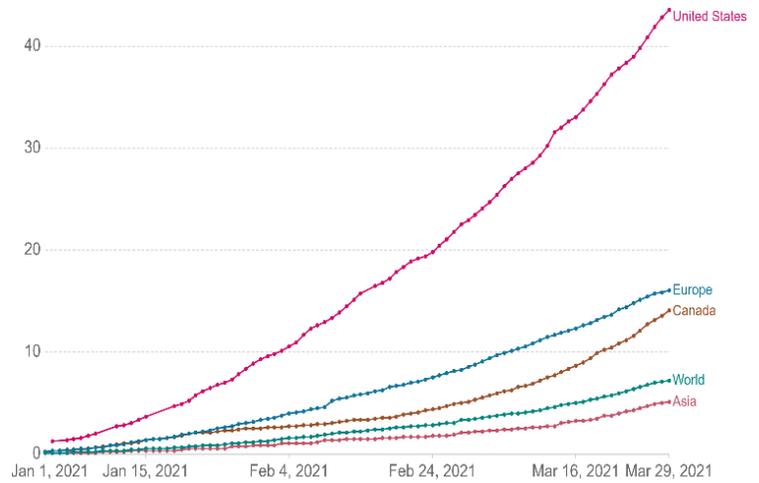
# Quarterly Macro Overview Q1 / 2021



What a difference a year can make. The month of March marks the one-year anniversary since the COVID-19 pandemic infiltrated our world, causing a global economic lock down.

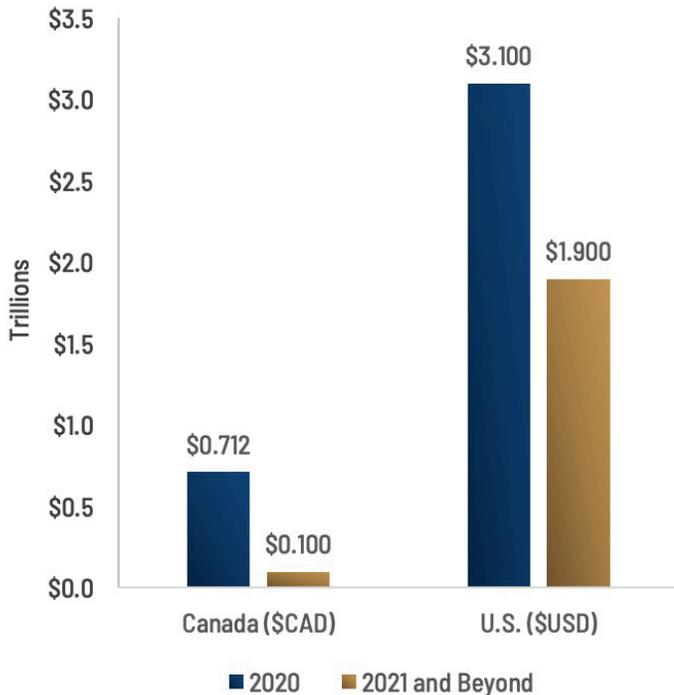
The loss of life and loss of economic progress has been challenging and felt around the world. Throughout the second half of 2020, the economy recovered steadily in large part due to increased government spending and central bank support. A full year later since the pandemic began, we are beginning to re-emerge from the global health crisis. Although we are not out of the woods yet, progress is being made and 2021 appears to represent more promising times ahead.

COVID-19 Vaccine Doses per 100 People



Source: Our World in Data

Government Fiscal Stimulus: COVID-19 Relief Measures

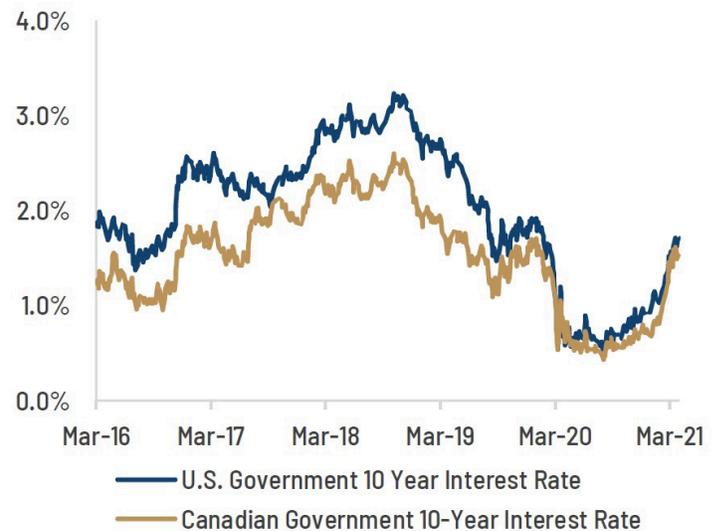


Source: Government of Canada, U.S. Government, CNN.com

There have been several positive notable developments within the capital markets. These developments have proven to be consistent with the primary investment themes highlighted in our annual outlook. First and foremost, North America and the rest of the world are making great progress on the global vaccination front. President Biden set out to have 100 million Americans vaccinated within his first 100 days in office. This milestone was achieved on March 13th, three weeks ahead of schedule. The U.S. administration has also suggested there will be enough vaccines available for all U.S. adult citizens by the end of May. Similarly, in Canada the Federal government has suggested there will be enough vaccination supply for all adults eligible for doses by July. Progress on this front bodes well for a more wholistic economic re-opening in the latter half of 2021. In the meantime, governments remain fully committed to bridging the economic gap that remains. The U.S. government passed an additional \$1.9US trillion stimulus package, while Canada has committed to spending \$100CAD billion over the next three years. Both commitments have helped provide stability to investment markets.

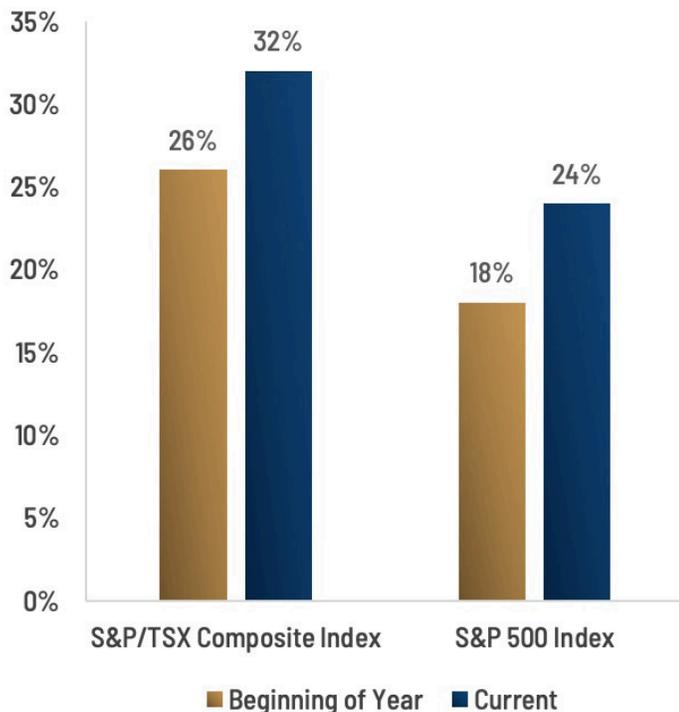
Another theme that remains in line with our primary investment outlook, the strong corporate earnings recovery continues. Expectations for corporate earnings growth in 2021 for Canada and the U.S. were 26% and 18% respectively. Since the beginning of the year, both consensus earnings growth figures have been revised higher by 6%. This is a healthy signal for equity markets in North America. In addition, we have continued to observe a shift to the more cyclical investment sectors and regions, with value outperforming growth and smaller companies outperforming larger companies. The Canadian stock market was up approximately 8% in the first quarter, with the U.S. not far behind, up 5%. Our long-term outlook suggests we are in the early stages of the next long-term economic expansion and these shifts are consistent with our thesis.

North American Interest Rates on the Rise



Source: Bloomberg

Consensus Earnings Growth Expectations  
Calendar 2021



Source: CPMS

Amid the good news thus far in 2021, markets have experienced a few minor bumps in the road. Rising interest rates and a generally expensive equity market have caused modest bouts of volatility. In addition, the increase in retail investment day trading led to the short squeeze phenomenon of GameStop, which took center stage for a brief period. Although there has been some volatility in the market, 2021 is off to a rather encouraging start. As always, the investment landscape is not without its risks. Firstly, markets are in the process of coping with rising interest rates and a steepening yield curve. These developments are a sign of a healthy economy, however the market would like to digest rising interest rates and tightening financial conditions gradually, as opposed to abruptly. Secondly, with equity markets trading a little expensive relative to historical averages, the market is susceptible to the occasional step back during its more meaningful march forward. These risks simply reinforce the notion of remaining disciplined to long-term investment objectives, while continuing to employ our rigorous M-Factor investment process to both protect and grow your capital.



Matco Financial Inc.  
350, 440 - 2nd Ave SW, Calgary, Alberta  
T2P 5E9

Email: [info@matcofinancial.ca](mailto:info@matcofinancial.ca)  
Local: +1-403-539-5740  
Toll-Free: +1-877-539-5743

#### DISCLAIMER

Matco Financial is an independent, privately held discretionary investment counsellor and asset management firm that serves the needs of individual investors, institutions, advisors, trusts, corporations and not-for-profit organizations. Matco provides investment advisory services to investors on a discretionary basis through mutual funds and separately managed accounts. This communication is intended for information purposes only and does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Matco Financial Inc. makes no representations as to the accuracy or any other aspect of information contained in other websites. All statements that look forward in time or include anything other than historical information are subject to risks and uncertainties and are not guarantees of future performance. Investors should not rely on forward looking statements. Actual results, actions or events, could differ materially from those set forth in the forward looking statements. MATCO Financial Inc. ©2021 All Rights Reserved. Document: MATC.QMO.21.20.01