

Views from the Desk

Updates in the Equity and Fixed Income Market

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BoC Increases Rates

The BoC raised rates aggressively so far in 2022. Certain Fed members mentioned that they want the overnight rate to be more than 3% by the end of the year. We don't know how much more hawkish expectations can get at this point. We can look at the inflationary problems and say that much of it is supply chain driven. Furthermore, as we move more into an endemic as opposed to a pandemic (COVID) we may start seeing the supply chain unlocking and inflation improve gradually. We believe the more prudent thing for the BoC to do is pause on raising rates in the fall and use forward guidance. We believe that the BoC will start to become less hawkish. We still think it makes sense to have bonds in your portfolio to mitigate potential equity risk. [ZAG - BMO Aggregate Bond Index ETF](#)

Peak Inflation

We believe that we are currently close to peak inflation and when the BoC is done raising rates we will see inflation under control. Data suggests that equities do very well coming off of peak inflation. [ZINN - BMO MSCI Innovation Index ETF](#) has growth potential and a lot of outsized returns based on its volatility profile. Megatrends such as fintech, automation, healthcare and next gen internet should start to do well again. Investors with long term time horizons will do well in these growth investments and short-term investors can consider this environment as an attractive entry point (however, approach cautiously).

ESG Leaders ETFs

Integration of ESG (Environment, Social, and Governance) factors in the investment process enables a deeper understanding of a company's return and risk profile. A good ESG score implies that management is exerting positive influence, guiding its capital in a responsible manner to meet shareholder and stakeholder interests. ESG integration is a way to uphold an advisor's fiduciary duty and improve a client's risk adjusted returns. Investors are transforming the investment world from the bottom up through their growing interest in ESG investment solutions. With greater scrutiny on companies and emerging ESG risk factors that may impact a company's profitability, there is a greater understanding of the impacts of corporate ESG incidents. Investment professionals are recognizing that there is a potential financial benefit to investing in ESG, as evidence shows this data can help make better informed investment decisions and improve risk adjusted returns. [Understanding BMO ESG ETFs](#)

Global Base Metals

Base Metals tend to outperform in the peak of the economic cycle. We think there is a possibility of base metals going even higher. Goldman Sachs are predicting that we could be at the beginning of a "commodity super cycle" and that commodities are still relatively cheap. Base metals are particularly attractive when we think of car makers such as Tesla, GM and Jaguar who have a major focus on electric cars. Full EV cars need approx. 80kgs of copper which should push the price of copper up significantly. Not to mention other metals such as lithium, aluminum, cobalt and many others. [ZMT - BMO Equal Weight Global Base Metals Hedged to CAD Index ETF](#) can be volatile, and we don't recommend ZMT as a core position but more of a satellite position in your portfolio that shouldn't exceed 5%.

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High Yield Bonds

[ZJK - BMO High Yield US Corporate Bond Index ETF](#) and [ZHY - BMO High Yield US Corporate Bond Hedged to CAD Index ETF](#) for more on this topic please listen to our podcast at [bmoetfs.ca](https://www.bmoetfs.ca)

BMO ETF podcasts are also available on



Source: Bloomberg, All returns and data points April, 2022.

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