

Views from the Desk

Updates in the Equity and Fixed Income Market

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Managing Risk

Recent comments out of Russia seem to be positive however, troops are still on the ground. There has been some bounce back in the markets around the Russian Ukraine situation and the world is watching closely. Russian oil pipelines to Germany haven't been fully approved and the potential of Russia invading Ukraine will put the pipelines on hold for some time. Europe is already dealing with higher natural gas prices and the lack of potential supply from Russia can hurt Europe and the broader economy. There are a lot of "unknowns" in the market right now. Low Volatility strategies such as [ZLU - BMO Low Volatility US Equity ETF](#) can help protect on the downside along with dividend factor ETFs such as [ZDY - BMO US Dividend ETF](#) and [ZDV - BMO Canadian Dividend ETF](#).

Fixed Income View for 2022

The market is pricing in approximately 7 rate hikes in Canada. We think this target is very aggressive. The BoC might not want to risk slowing down economic growth with such aggressive rate hikes as it can cause stagflation. We think that with lockdowns ending and the economy opening up, we may get room for the BoC to hike rates, but it still remains uncertain. We think that some "potential rate hikes" get pushed into 2023. Over the next couple of months, as we see the BoC start to hike rates, we will see some volatility on the short end of the curve. Investors should focus on the short end of the curve only as the year progresses on. We also want to focus on high quality credit as we don't think investors will have to reach to get yield while rates rise. A well-suited investment would be our new ETF [ZBI - BMO Canadian Bank Income Index ETF](#) since it is high quality credit and has a low duration. ZBI will also include institutional preferred shares and limited recourse capital notes as well. See [ZBI sales aid](#).

Commodities Rally?

Base Metals such as copper and nickel are some of the 2 biggest metals in demand. With housing and auto demand, we are seeing copper and nickel follow. Furthermore, growth is at a relatively high level as electric cars become more and more in demand. We look to [ZMT - BMO Equal Weight Global Base Metals Hedged to CAD Index ETF](#) to get exposure to this theme.

Gas is at all time highs and the price of oil has gone up significantly. Oil and Gas appears to be trending upwards for the foreseeable future. As countries continue to remove COVID lockdown mandates we are seeing high demand for Oil and Gas. We look to [ZEO - BMO Equal Weight Oil & Gas Index ETF](#) to get exposure to this theme.

Industrials Sector

There is a lot of good news on the re-opening front as COVID restriction mandates are being dropped around the world. The industrial sector tends to be leveraged to economic growth. The majority of provinces here in Canada are looking to drop COVID mandates all together. More and more cross boarder activity will pick up and the industrial sector will benefit. [ZIN - BMO Equal Weight Industrials Index ETF](#) was up 2% on Tuesday and has reacted positively to the news (of COVID mandates being dropped). A lot of the construction companies will continue to thrive and overall, we expect the industrial sector to become the new "reopening trade".

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Tax Season

While we move into tax season, we want to look at the securities that aren't as tax efficient such as..... *for more on this topic please visit bmoetfs.ca/#current-podcasts.*

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

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