

Views from the Desk

Updates in the Equity and Fixed Income Market

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Energy

The US recently announced they will be releasing 50 Million Barrels of oil into the market. After the announcement oil dropped slightly, quickly recovered and ended the day yesterday positive. The market looked past this news from the US quickly since 50 million barrels is only about 2 days worth of US consumption.

OPEC will be meeting next month and is potentially planning on releasing additional oil globally at approximately 400k barrels per day on top of what they are currently doing. OPEC could decide not to produce more oil if production picks up globally. Oil prices had peaked at approx. 85.00 per barrel and the increase in production had no effect thus far.

Seasonally heading into the winter there is strong demand for oil due to the holiday season, increased travel and colder conditions. The dynamics behind oil prices are going to continue to be supportive and [ZEO - BMO Equal Weight Oil & Gas Index ETF](#) is going to continue to do well due to its high correlation to Oil. Oil futures curve is in backwardation right now. Over the long term, the market believes Oil will go back down to 60.00 per barrel several years out from now. In the meantime, we should see elevated oil prices over the next couple of years before oil prices drop again.

Powell Voted Back in

The market was pricing in Jerome Powell being re-elected. Biden played it safe to re-elect Powell to avoid anymore unnecessary disruptions in the market and keep things status quo. The wind down of the quantitative easing program in the US is going to take approximately 6 months. It will be hard for the Fed to argue that raising rates should be delayed if the economic/GDP numbers keep coming in strong in this current inflationary environment. We still see [ZTIP.F - BMO Short-Term US TIPS Index ETF \(Hedged Units\)](#) and [ZPR - BMO Laddered Preferred Share Index ETF](#) as a great place to be very good ideas in this current environment. Another option we have conviction on is [ZFH - BMO Floating Rate High Yield ETF](#). ZFH holds Canadian T-Bills that have very low interest rate sensitivity and you get the credit spread of high yield bonds through a CDX swap.

Currency

Over the long term we are bullish towards to Canadian Dollar however, over the short term there is a lot of perfection priced into the Canadian Dollar right now. The market is pricing in 5 rate hikes for 2022 which is aggressive since there are 8 meetings next year.

For more on currency please listen to the Views from the Desk Podcasts at [BMO ETF - Trade Ideas & Podcasts](#).

Stagflation

Third quarter GDP in the US came in at 2.1%. There is some concern around slowing GDP growth with inflationary pressures. Typically, inflation comes with strong GDP and many people are worried about this news. For those that are starting to worry about stagflation we would look to the Value Factor/Dividend Factors. Companies that are cash flow oriented in an environment like stagflation cash is king. Companies that can pay out money to investors today could be more valuable to investors than companies that are more focused on future growth potential. If the economy is not growing significantly, we can't necessarily

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depend on those growth-oriented stocks to grow into their earnings stream. If there are continued high inflation levels, that could mean investors may want money today because money in the future will not be worth as much. [ZVC - BMO MSCI Canada Value Index ETF](#) and [ZVU - BMO MSCI USA Value Index ETF](#) or [ZDV - BMO Canadian Dividend ETF](#), [ZDY - BMO US Dividend ETF](#) and [ZDI - BMO International Dividend ETF](#).

Technology

There are 2 different types of technology companies. Tech companies with higher growth potential, low earnings today but have strong earning potential in the future, and Tech companies that have growth potential, are mega cap companies and have a lot of current earnings potential. In an environment with higher inflation and higher yields, leaning toward the mega cap companies in technology makes more sense. We think having these mega cap technology stocks in a portfolio with a covered call overlay will give you the best of both worlds where you will get the growth potential with an income stream from the option premiums.

[ZWT - BMO Covered Call Technology ETF](#)

Tax Loss Harvesting

We just put out our estimated year end capital gains on our ETFs. There hasn't been to many companies trading at a loss this year. One thing people need to make sure they are looking at with your portfolio is the adjusted book value since everyone has different entry points to when they purchased their securities.

Gold stocks haven't had the best year however, recently there started to rally. If you were to do any tax loss selling you may want to crystalize your losses with some of these gold stocks right now. If you want to maintain exposure to gold take a look at [ZGD - BMO Equal Weight Global Gold Index ETF](#).

Furthermore, we have seen some losses in bonds (especially on the long end of the curve). We have a convergent option where you can take your individual bond holdings and put them into an ETF to crystalize. With the ETF you can have better transparency, tighter bid offer spreads, the liquidity of the secondary market and scalability. For more on tax loss harvesting please see [Tax Loss Harvesting for 2021: Start Early, Add Value](#).

Please be sure to visit our estimated annual reinvested distributions below.

[BMO Global Asset Management Announces Cash Distributions for Certain BMO Exchange Traded Funds November 18th 2021](#)

[BMO Global Asset Management Announces Additional Estimated Annual Reinvested Distributions for BMO Exchange Traded Funds November 22nd 2021](#)

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Source: Bloomberg, All returns and data points July, 2021.

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