

Q2 2021 Outlook



Global Growth

Extensive stimulus programs and COVID-19 vaccination momentum allow for a gradual reopening of global economies. However, an inability to contain the spread of virus variants could extend lockdowns and delay the recovery.



Fixed Income

The bond bull market enjoyed over the past four decades has likely come to an end. The trajectory of rising yields may be more contained in the upcoming quarter, offering reprieve to rate-sensitive bonds, but high-yield and convertible bonds are most attractive in the current environment.



Commodities

A global economic recovery and increased infrastructure activity should support demand for real assets. Renewed lockdowns and consolidation following a strong run in commodities prices may constrain near-term upside.



Canada

Canada's Financials and Energy sectors are well positioned for a reflationary environment. Canada remains out-of-favour relative to other developed markets, however, as price consolidation may take place after a strong run in commodities.



Japan

Japan is among the most attractive markets in this environment of accelerated global growth. Supportive government aid, constructive valuations, positive earnings estimate revisions, and a history of strong performance during rising rate environments offer upside potential.



Policy & Politics

Rising yields and inflationary concerns may test the commitment of major central banks to ultra-accommodative policy. U.S.-China relations have not improved under the new U.S. administration and may intensify in the upcoming quarter.



Equities

Bifurcation is expected to widen among countries effectively administering doses versus those struggling to obtain supply. This period of early-cycle expansion also favours value-based economies and services sectors, which have experienced a delayed recovery.



Currency

Global synchronized growth and significant fiscal spending may challenge U.S. dollar strength, while rising geopolitical tensions could weigh on related emerging market currencies.



U.S.

The U.S. is positioned for growth with ample stimulus, pent-up savings, and low interest rates. This constructive backdrop for earnings upside may lead to near-term outperformance, though rising debt levels, tapering of aid and potential tax increases could eventually slow momentum.



Europe

The cyclical recovery favours Europe's value-tilted economies, though profit taking could occur after recent gains. Europe remains under varying levels of lockdowns which may delay its recovery into the second half of the year.

For more information on the AGF Asset Allocation Committee or to read their most recent quarterly outlook, visit [AGF.com](https://www.agf.com).



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