

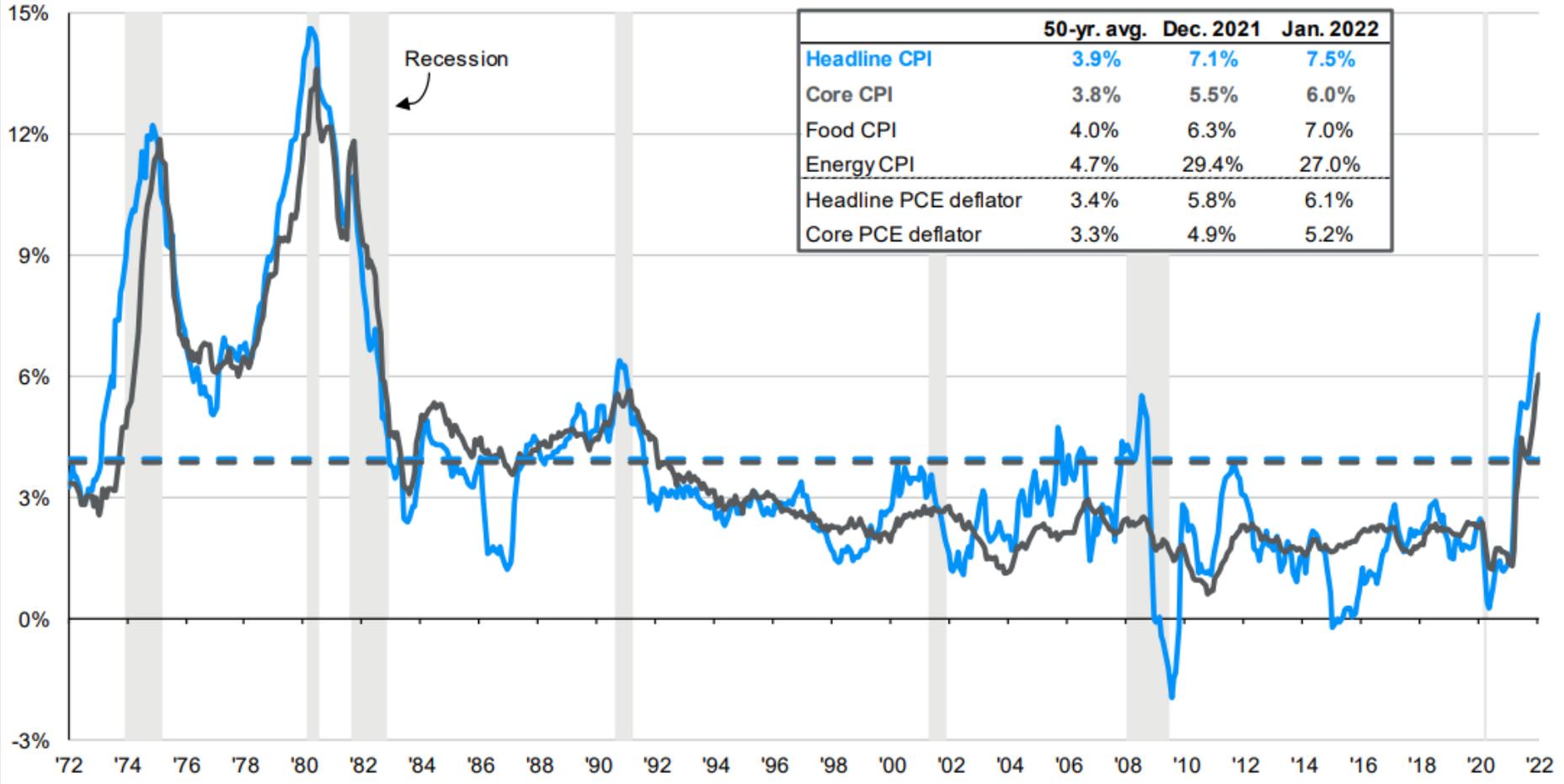
		<u>Feb 2022</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
U.S. Large Cap Equities	S&P 500	-2.99%	-8.01%	16.39%	18.24%	15.17%	14.59%
U.S. Small Cap Equities	Russell 2000	1.07%	-8.66%	-6.01%	10.50%	9.50%	11.18%
Energy Infrastructure Equities	Alerian U.S. Midstream Energy	6.04%	16.65%	48.71%	8.35%	3.58%	-
U.S. Real Estate Equities	Dow Jones U.S. Select REIT	-3.53%	-9.76%	25.25%	8.57%	6.87%	9.01%
Global Equities	MSCI All Country World Index	-2.58%	-7.37%	7.81%	13.41%	11.43%	9.83%
International Developed Equities	MSCI EAFE	-1.77%	-6.52%	2.83%	7.78%	7.16%	6.15%
Emerging Market Equities	MSCI Emerging Markets	-2.99%	-4.83%	-10.69%	6.04%	6.99%	3.24%
U.S. Taxable Fixed Income	Bloomberg U.S. Aggregate	-1.12%	-3.25%	-2.64%	3.30%	2.71%	2.47%
U.S. Tax-Exempt Fixed Income	Bloomberg Municipal Aggregate	-3.36%	-3.09%	-0.66%	3.19%	3.24%	3.15%
High Yield Fixed Income	Bloomberg U.S. Corporate High Yield	-1.03%	-3.73%	0.64%	5.31%	4.88%	5.86%
Floating Rate Loans	S&P/LSTA Leveraged Loan	-0.51%	-0.15%	3.20%	4.15%	4.02%	4.37%
International Fixed Income	Bloomberg Global Aggregate Ex-U.S.	-1.11%	-3.04%	-7.14%	1.14%	1.99%	0.30%

- February was a challenging month for global equity and bond markets. During the first half, returns were subdued, as concern grew that central bank tightening would dampen growth. In the second half, concerns shifted to the Russian invasion of Ukraine.
- Sanctions imposed on Russia weighed heavily on investors' minds. Russia is a significant exporter of commodities, at 13% of global crude oil, 17% of natural gas production, and 10% of global wheat supply. Ceasing these global exports sent energy prices higher in February, and made gauging the pace and scale of rate hikes more challenging.
- In Europe, business surveys suggested an acceleration in economic momentum, but more than half of headline inflation was from energy.
  - Approximately 25% of Europe's crude oil is imported from Russia, along with 40% of its natural gas supply.
- In the U.S., February business results were favorable, with services, retail and manufacturing numbers all meeting or exceeding expectations.
- The rebound in consumer spending sent U.S. headline inflation for January to 7.5%, year-on-year, supported by core goods and services.
- Despite the conflict in eastern Europe, and with a backdrop of high inflation and strong job gains, the market priced in six rates hikes by the end of 2022.
- At month-end, the yield on 2-year and 10-year Treasuries increased to 1.44% and 1.83%, respectively (up 0.71% and 0.31% YTD).

- The Fed's preferred inflation gauge, Core PCE deflator, increased 5.2% in January from one year prior; the largest increase since 1983.
  - Headline CPI reflects the total inflation in an economy, while Core CPI excludes highly variable factors such as food and energy.
- Treasury Futures are pricing in 2-year inflation at 4.2% and 10-year inflation at 2.7% (Bloomberg 3/4/2022).

## CPI and core CPI

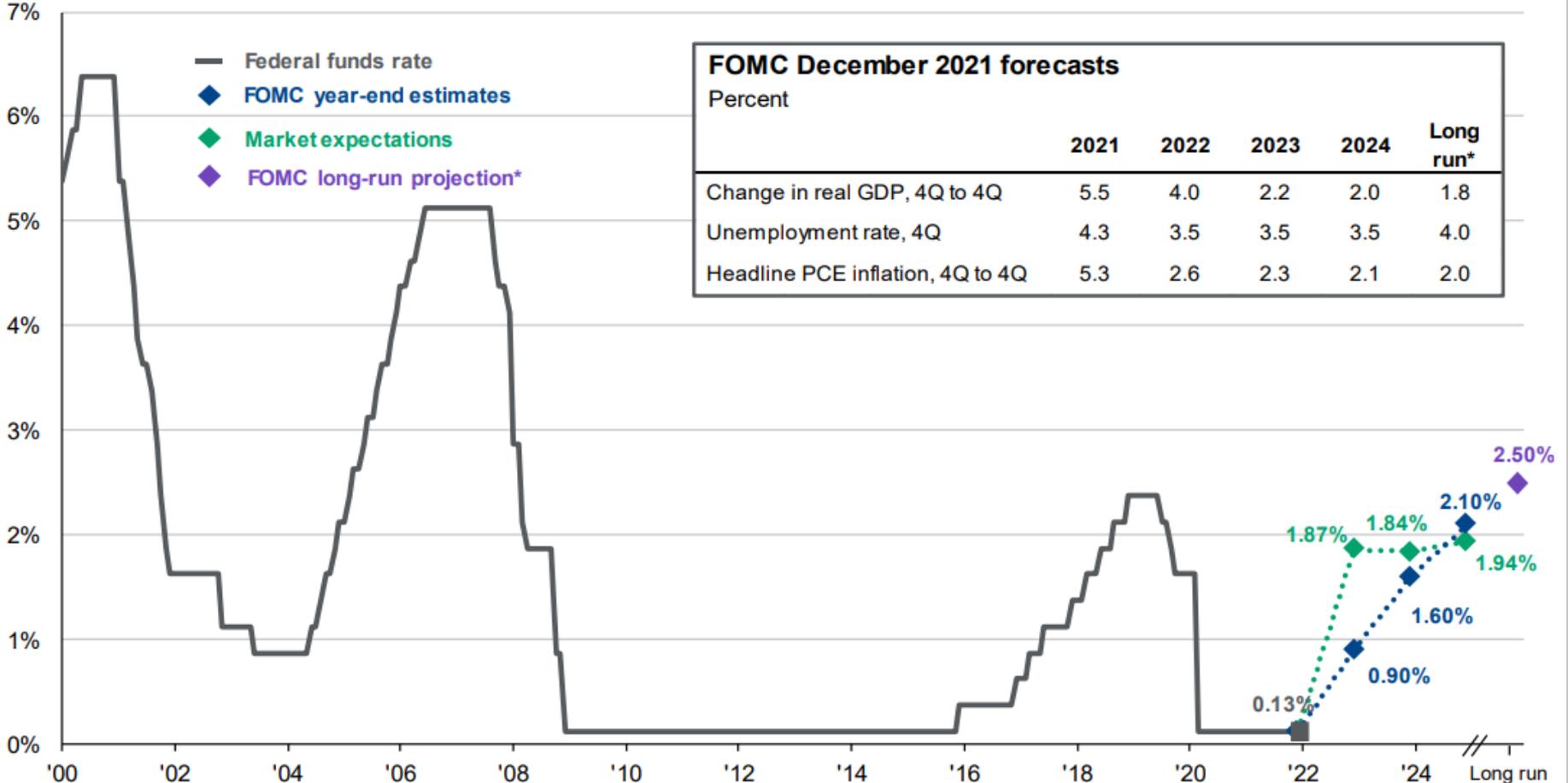
% change vs. prior year, seasonally adjusted



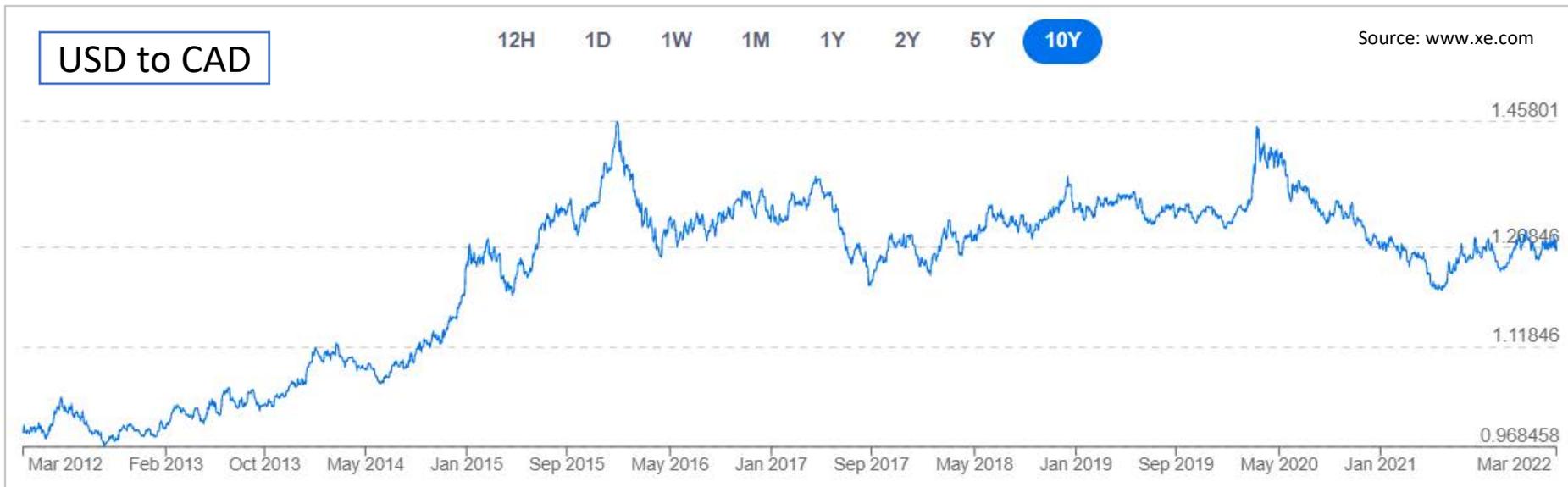
- Russia's invasion of Ukraine has made it increasingly difficult to predict the pace and scale of the Federal Reserve's rate increases in 2022.
- Bets that the Fed will announce a super-sized interest rate hike when it meets in March have declined sharply.
  - One week prior, the probability of a 0.5% rate hike was 34%, while the current probability is only 8% (per data from CME Group).

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



- The U.S. dollar weakened 0.3% against the Canadian dollar in February, ending the month with an exchange rate of 1.2662.
- Canada's economy began 2022 well, despite a lingering impact from Omicron and the protests that shut down the border crossings.
- During the fourth quarter, Canada's economy grew 6.7% on an annualized basis, which beat the central bank's own forecast of 5.8%.
- With the economy ending the year finally bigger than it was before the pandemic, the central bank elected to raise its key borrowing rate.
- At its March meeting, the Bank of Canada raised interest rates by 0.25% to 0.50%, and additional hikes are expected in 2022.



Date Range	USD to CAD	+/-
YTD	1.2656-1.2662	+0.1%
1-Year	1.2738-1.2662	-0.6%
3-Years	1.3165-1.2662	-3.8%

**\$USD 1,000,000**  
 =  
**\$CAD 1,266,232**  
 @ 1.2662  
 (2/28/2022)

CAD Profile	
*Inflation Rate	5.1% (Jan 2022)
Interest Rate	0.50% (Mar 2022)
Information	<a href="http://www.bankofcanada.ca">http://www.bankofcanada.ca</a>

\*Total CPI Inflation

Sources: xe.com, Statistics Canada, bankofcanada.com, Bloomberg

The larger chart below shows the historical daily COMEX copper price, which is displayed in U.S. dollars per pound. The chart provides 20 years of price history as well as past recessions. The embedded chart provides a zoomed-in image of the year-to-date copper price movement.

Copper prices were down \$0.01 per pound year-to-date, or -0.2% (2/28/2022).

Since the \$2.10 low point on March 23, 2020, prices have risen \$2.35 per pound, or 112%.

**The price of copper was \$4.45 per pound as of February 28, 2022.**



## Copper Price Outlook

The price of copper increased \$0.13 per pound in February, or 3.0%. During the month, prices moved as much as 0.34% higher, or 7.9%, before ending the month just a penny lower than where they began the year.

The higher monthly prices were predominately attributable to production declines, with Chile recording its lowest January copper output since September 2011. As a reminder, Chile is responsible for more than 25% of global copper production.

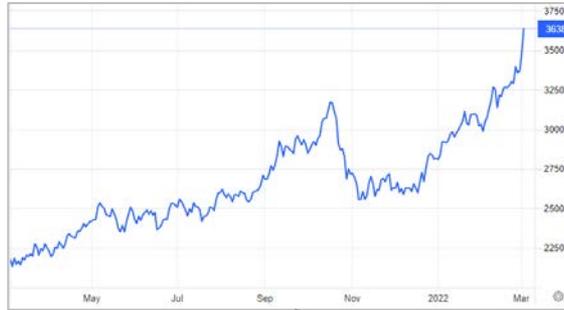
Prices spiked higher in early March amid a surging demand in Europe for metal. Looking ahead, analysts expect concerns about supply disruptions and low global stockpiles to continue, with further pressure coming from the Russia/Ukraine conflict, a slowing Chinese economy, and higher interest rates in developed markets.

The most recent projections showed May 2022 futures rising to \$4.70 per pound.

The primary chart below shows the historical monthly price of aluminum for the past 25 years. The secondary chart shows the daily price movement over the past 12 months. Prices are in USD per tonne (London Metal Exchange).

Aluminum prices were up \$561 per tonne year-to-date, or 20% (2/28/2022). Since the \$1,472 low point on April 6, 2020, prices have risen \$1,897, or 129%

The all-time record price of aluminum was \$3,271.25 per tonne, which occurred in July of 2008.



## Aluminum Price Outlook

Aluminum prices ended February up \$348 per tonne, or 11.5%. The higher price per tonne was underpinned by fears of supply disruptions, with futures briefly hitting a record high of \$3,546 per tonne before settling slightly below the \$3,500 mark on the last day of trading in February.

By March 2<sup>nd</sup> the price of aluminum had set a new record of \$3,638 per tonne. The early March price surge came amid sanctions imposed on Russia that banned its financial institutions from accessing the SWIFT global payments system, which could impact its industrial activities and energy exports. Russia's aluminum production accounts for 6% of the global supply, and natural gas is heavily used in producing electricity for smelters.

Looking ahead, while uncertain, current projections are for aluminum to trade lower at \$3,070 by the end of the first quarter, and \$2,880 at by the end of the year.

- The price of a barrel of crude oil increased \$7.57 in February, or 9%, to \$95.72 (that price had risen to \$115 by 3/4).
- The surging prices were the direct result of the Russian invasion of Ukraine, rising demand, and insufficient OPEC+ production capacity.

## Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	2019	2020	2021	2022*	2023*	Growth since '19
U.S.	19.5	18.6	18.9	20.3	21.2	8.7%
OPEC	34.7	30.7	31.6	34.2	34.5	-0.4%
Russia	11.5	10.5	10.8	11.6	11.9	3.5%
<b>Global</b>	<b>100.5</b>	<b>93.8</b>	<b>95.5</b>	<b>101.4</b>	<b>103.5</b>	<b>3.0%</b>

Consumption	2019	2020	2021	2022*	2023*	Growth since '19
U.S.	20.5	18.2	19.8	20.7	21.0	2.0%
China	14.0	14.4	15.3	15.7	16.2	15.8%
<b>Global</b>	<b>100.3</b>	<b>91.9</b>	<b>97.1</b>	<b>100.6</b>	<b>102.5</b>	<b>2.2%</b>

Inventory Change	2019	2020	2021	2022*	2023*
	0.2	1.9	-1.6	0.8	1.0

The price of oil appears to be headed higher as the fighting in eastern Europe intensifies, and additional sanctions are imposed on Russia. In early March, OPEC+, whose co-chair happens to be Russia's deputy prime minister, confirmed its intention to hike production by 400,000-barrel-a-day, beginning in April. This modest increase was not considered adequate to suppress prices, which hit \$115 per barrel on March 4<sup>th</sup>. Russia produces about 1/10<sup>th</sup> of the world's crude oil supply. Despite discounts approaching 20%, buyers and shippers are looking elsewhere for oil, with approximately 70% of Russian trade being affected. With many variables now in play, guidance has been inconsistent in terms of predicting specific oil price targets, but the outlook from analysts is unanimously higher over the next nine months.

## Price of oil

WTI crude, nominal prices, USD/barrel

