# Monthly Market Insights

Data and opinions as of November 30, 2021

## Signs of inflation becoming more persistent

Inflation rates continued to climb in November. The U.S. consumer price index (CPI) increased by 6.2%, its fastest pace since 1990. Furthermore, price gains broadened from more transitory categories like hotels and car rentals to more core categories like food, gasoline, and shelter costs. Canadian inflation also rose, with the country's CPI increasing 4.7%, matching the highest level since the Bank of Canada started to target inflation in 1991. Earlier in 2021, central bankers ran with the narrative that inflation pressures were temporary. Six months later, inflationary pressures persist, however, and now will likely continue into next year. There is increasing acknowledgment that some of the extraordinary accommodative policies currently in place, such as record-low interest rates, are creating excess demand that is pushing inflation higher.

## The NEI perspective

**Levels of inflation increase, expand.** Inflation continues to climb to levels not seen for decades, driven by robust demand, supply chain issues, and higher commodity prices, while also broadening from transitory categories like hotels and car rentals to food, gasoline, and shelter costs.

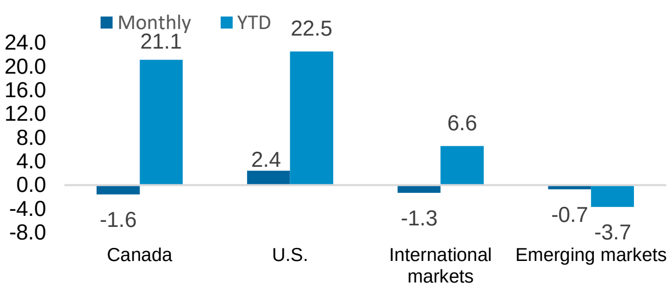
**Ushering out QE policies.** Central bankers now acknowledge the persistence of inflationary pressures and are setting the stage for less accommodative policies. The newly reappointed U.S. Federal Reserve Chair signaled a winding down of quantitative easing possibly faster than expected.

**Moving to earnings-driven markets.** The gradual removal of accommodative policy signals a move to a more fundamentals-driven market, in which earnings become a key driver of share-price movement. So far, Q3 earnings have been better than expected, lifting share prices.

*From NEI's Monthly Market Monitor for December. [Read the full report](#) for more insights.*

### Equity

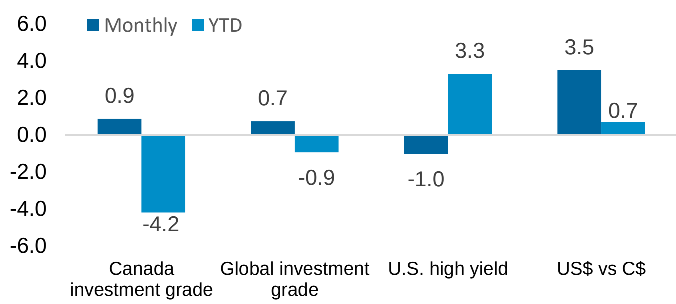
% return in C$




**Canada:** MSCI Canada; **U.S.:** MSCI USA; **International markets:** MSCI EAFE; **Emerging markets:** MSCI Emerging Markets. Source: Morningstar Direct.

### Fixed income and currency

% return in C$




**Canada investment grade:** Bloomberg Barclays Canada Aggregate; **Global investment grade:** Bloomberg Barclays Global Aggregate; **U.S. high yield:** Bloomberg Barclays U.S. High Yield. Source: Morningstar Direct.

aviso wealth

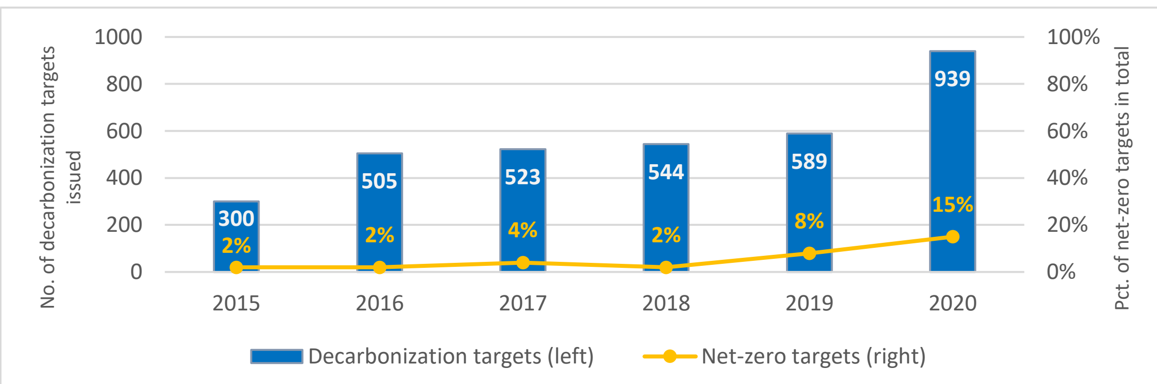
## COP26 and investing in energy transition

The 26th UN Climate Change Conference of the Parties (COP26) summit took place in Glasgow, Scotland from October 31 to November 12. COP26 brought together nearly 200 nations, aiming to foster consensus on how to address climate change. The summit was also an opportunity to evaluate progress on previously agreed upon goals (including at COP21 in Paris in 2015), while also establishing new goals. From a Canadian perspective, we had seen devastation in British Columbia from wildfires earlier in 2021, and later in November record flooding caused severe damage throughout the province. These disasters have illustrated in vivid detail the real-life damaging consequences of climate change.

COP26 culminated with the signing of the Glasgow Climate Pact, which included a pledge by more than 100 countries to cut methane emissions down 30% by 2030. Methane is currently responsible for approximately a third of human-generated global warming. There was an agreement to "phase down" the use of coal, which is responsible for close to 40% of annual CO2 emissions. Over 120 countries representing approximately 90% of the world's forests pledged to halt and reverse deforestation by 2030. The pact also called on developed countries to significantly increase support, beyond the currently committed US$100 billion annually, to help developing countries transition toward clean energy technologies.

A key theme of the summit was the greater alignment of the public sector with private enterprise. Nearly 500 global financial services firms agreed to align US$130 trillion, approximately 40% of the world's financial assets, to back clean technologies and divert funding away from fossil fuel-burning industries. This will further accelerate prevailing trends in energy transition, including in sustainable energy and clean infrastructure. It provides an immense opportunity for asset managers to achieve strong financial returns by investing in companies developing solutions in this space, or more broadly by benefitting from companies moving towards a net-zero business model.

Percentage of publicly traded companies declaring net-zero targets almost doubled in a year (2019–2020)




Source: Bloomberg, MSCI All-Country World Index, as of January 5, 2021. Data based on MSCI All-Country World Index constituents. Decarbonization targets aim to reduce emissions but do not necessarily target net zero. For example, a company may set a target to reduce emissions by 50% by 2050.

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