

2022 Year Ahead Outlook

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Q2: Why are you bearish on bonds & stocks 2022?

I believe the two most important drivers of asset markets, particularly bonds and equities, is interest rates and corporate earnings. Throughout 2021 and a lot of 2020, we saw lower interest rates and higher corporate earnings and the combination of those two were very, very bullish for bonds and particularly for equity markets, particularly in the United States.

However, in 2022, we anticipate that interest rates will rise, driven by the Fed's desire to clamp down on inflation and that rise in interest rates is likely to put downward pressure on the rate of growth of corporate earnings.

Higher rates, lower corporate earnings are a more negative backdrop so far as asset markets are concerned and that's why I'm much more cautious on the outlook for both bonds and equities in 2022.

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