

## ANNUAL 2021 COMMENTARY

# High Interest Savings Account Fund

Cash has always been an important component of a well diversified portfolio. HISA preserves your capital and liquidity by investing in high-interest deposit accounts.

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ETF TICKERS: HISA (HEDGED)

Cash is an important component of a well-diversified portfolio. The cash portion of a portfolio helps preserve capital during market downturns, and may act as a temporary hold until new investment opportunities become available. HISA preserves clients' capital and liquidity by investing in high-interest deposit accounts.

During 2021, there were no changes to the key Bank of Canada overnight target rate. The rate remained at 0.25%, where it has been since the end of March 2020 when it was lowered in response to the economic stresses of the COVID-19 pandemic.

At its last policy meeting in December, the Bank of Canada left rates unchanged, holding its target for the overnight rate at the effective lower bound of  $\frac{1}{4}$  of a percent, with the Bank Rate at  $\frac{1}{2}$  of a percent and the deposit rate at  $\frac{1}{4}$  of a percent.

However, rising inflation could very well influence the Central Bank to raise interest rates as early as January 26, 2022, when it holds its next policy meeting. Statistics Canada reported that the annual pace of inflation climbed in December to 4.8%, a pace that hasn't been seen since September 1991.

Notwithstanding, the Governing Council of the Bank of Canada holds the view that in spite of ongoing excess capacity, the economy continues to require considerable monetary policy support. In a statement, the Bank of Canada said that it remains "committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2% inflation target is sustainably achieved." In the Bank's October projection, this happens sometime in the middle quarters of 2022.

### Sources:

i) <https://www.bankofcanada.ca/2021/12/fad-press-release-2021-12-08/>

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