

ANNUAL 2022 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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Cash has always been an important component of a well-diversified portfolio. However, the economic conditions during the year of 2022 brought into perspective how vital the cash component of a portfolio really is. During the year, the bearish market coupled with rate hikes driven by rising inflation made cash solutions top of mind for many investors. In fact, 2022 marked the worst year for stocks since 2008, with the S&P 500 returning -18.13% and the Bloomberg U.S. Aggregate Bond Index returning -13.01% over the year.¹ This challenging macroeconomic environment made it highly likely that the cash component of investors' portfolios would be their only holding with positive returns during the year. Furthermore, with Canadian inflation rates at 6.3% on a year-over-year basis, the Bank of Canada has raised rates by 4.25% since the beginning of 2022 in an effort to combat inflation.¹² More specifically, the year began with rates at 0.25% and closed the year out at 4.25%, pushing borrowing costs to their highest level since 2008.³ The Bank of Canada has signalled that there will be more rate hikes to come, predicting that inflation will decline to about 3% by the end of next year, and will hit its 2% target by 2024.⁴ The Bank of Canada's next rate announcement is scheduled to take place on January 25, 2023.⁵

Sources:

1. <https://www.wsj.com/livecoverage/stock-market-news-today-11-30-2022/card/it-s-the-worst-year-for-stocks-since-2008-E4m8L8fnl8FcVDRMKcq>
2. <https://www.bloomberg.com/news/articles/2023-01-17/inflation-slows-to-6-3-in-canada-opening-door-to-rate-pause?leadSource=uverify%20wall>
3. <https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/>
4. <https://www.cNBC.com/2022/09/23/borrowing-costs-hit-multi-year-highs-after-fed-hike.html>
5. <https://www.ctvnews.ca/business/bank-of-canada-hikes-interest-rate-again-predicts-potential-recession-in-2023-1.6125290>
6. <https://www.bankofcanada.ca/2022/07/2023-schedule-interest-rate-announcements/>

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