Fidelity ETF Podcast

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Announcer: Hello and welcome to the Fidelity ETF Exchange powered by Fidelity Connects, connecting you to the world of investing and helping you stay ahead. In this episode of the Fidelity ETF Exchange, co-hosts Étienne Joncas-Bouchard and Himesh Patel welcome Andrei Bruno to the show. Andrei is an ETF strategist at Fidelity Investments Canada. Today's discussion is centered around fixed-income markets, securities and ETFs. The panel takes the time to recap some of the notable movements among various sectors for 2021. Etienne, Himesh and Andrei Andrei's conversation also includes comments on central bank policy, the interest rate environment, as well as a brief outlook for 2022.

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Étienne Joncas-Bouchard: Hello, everyone, and welcome to the Fidelity ETF Exchange. I'm your host Étienne Joncas-Bouchard, a.k.a. EJB. And joining me today, as always, is my co-host, Himesh Patel. HP, how are you doing, buddy?

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Himesh Patel: Doing well, doing well, thanks. How are you?

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Étienne Joncas-Bouchard: Doing good, just got back from vacation, feel rejuvenated, ready to close out the year. I'm not going to rub it in too much and give anybody any details, but I'm happy to be back and back in this little recording studio and making sure that we end up with a few good episodes before the end of 2021.

Our last episode actually dates back to mid-October, so it's been a while. But like I mentioned, I think we're both happy to be back in. Today, we're going to be welcoming a new guest to the show. We're actually going to have the chance to talk to Andrei Bruno, who we hope is going to be eventually a recurring guest on the show. So, we're glad our audience is going to get a chance to get to know him a little bit better and get his thoughts on his area of focus at Fidelity, which is fixed income ETFs and just fixed-income markets in general.

So just a bit of a background: Andrei is an ETF strategist at Fidelity Canada. Like both myself and Himesh are. In this role, he is responsible for supporting the Canadian sales teams by providing expertise on Fidelity's Fixed Income ETF line up, portfolio construction ideas, competitor intelligence and also industry trends. So prior to joining Fidelity in 2021, so Andrei is actually quite new to the firm. We're happy to have him, though. Andrei was the director of foreign exchange and interest rate derivatives sales at CIBC Capital Markets. Andrei has an MBA from the Ted Rogers School of Management, as well as being a CFA charterholder. So quite the background, no lack of accolades there. Without further ado, Andrei, welcome to the show, my friend.

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Andrei Bruno: Thank you so much Étienne and it's great to join you guys, and I look forward to many, many podcasts in the future.

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Étienne Joncas-Bouchard: Great. Good stuff. So I guess before we get into today's topic, just a quick recap of our last session interview. We just did our quarterly Canadian ETF industry recap. We took the time to discuss some of the notable trends from a flow standpoint that we've seen so far year to date. You know what we could expect, I guess, from end of September until the end of 2020, to which we're already a month away now, as well as some of the key points on performance from obviously a factor standpoint, which is something obviously that we focus on here at Fidelity being in the smart beta space quite heavily. But we also talked about performance from asset class perspective. So how have fixed-income securities fared relative to equities? How alternatives performed as well, talking about some of the options that we've seen a rise in that category, notably in the cryptocurrency space, which has garnered a heck of a lot of assets so far year to date.

So, for those of you who didn't have a chance to listen to that episode, as always, it is available via Fidelity Connects or on your favorite podcast app or on fidelity.ca.

All right, guys. Let's dive into today's topic, so today's all about fixed-income markets, the impacts to various types of fixed income ETFs and also just securities in general. And I think it's fair to say that this year has been nothing short of a roller coaster in the space. Some very notable headwinds, whether that be from the inflation narrative being quite strong. We've seen some sharp movements in the yield curve, et cetera. I won't steal the thunder too much. We'll get into that soon. But before we get into that, you know, how about we get to know Andrei a little bit better? Tell us a bit about yourself, how you came to join Fidelity and our ETF team. And, you know, maybe a bit of on your past experiences that have prepared you for being our in-house fixed income expert.

[00:05:27]

Andrei Bruno: Yeah. So, you know, a little background on me: started in the industry a little under 10 years ago, started working in fixed income and currency trading group on a at a buy side firm there, so primarily focused on managing foreign exchange risk for the firm. And as you mentioned, later moved on to a sales role in capital markets with a with the big six bank, was there for many years, kind of on the sales side again still in foreign exchange markets, but a little bit more into interest rate markets and money markets as well. So spent some time there, So long story short, background being primarily in capital markets, obviously ETFs and the large growing area of the industry here. So that was a big draw for me for joining Fidelity Canada, obviously being one of the large asset management companies in the world. So that's kind of what brought us here to today, and I sit in front of you today. So happy to be here. It's been a great shop and I look forward to many, many years.

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Étienne Joncas-Bouchard: Awesome. Well, that's great. And I mean, I won't dance around to get to the ... let's get to the meat of the conversation right away. Meat and potatoes. So very broadly, can you give us a quick recap of some of the major movements in fixed-income markets year to date? What have investors seen? What have they felt in their portfolios? So just from a broad perspective, start.

[00:06:50]

Andrei Bruno: Yeah, so generally speaking, it's been a tough year for fixed income, as most folks can probably already know, just looking at kind of their fixed-income sleeves in their portfolios here, but primarily in 2021 here it's been a duration play. So, obviously we started the year off with a relatively flat yield curve, both United States and Canada, obviously just coming off the back of the pandemic. So central banks had slashed rates close to zero. Quantitative easing on both sides of the border. So fast forwarding to today, obviously, yield curves have moved quite substantially since the start of the year. Central banks have turned around and now a little bit more of a hawkish tilt from both the Bank of Canada and the Fed, Bank of Canada having recently wrapped up their tapering process, the Fed having recently begun their tapering process. So again, we've seen yields move up across the curve. The yield curve has also steepened quite a bit, obviously. Just for a little refresher, short end of the yield curve typically dictated by monetary policy, long end of the curve typically dictated by economic output and inflation expectations.

With regard to the long end, there, obviously GDP has started to pick up as vaccines have started to take hold in, economies have started to slowly reopen there. And then on the inflation side, as we all know, has been running relatively hot this year compared to historic norms. It feels like we haven't had inflation for about 10 years, and now it's finally rearing its head in a big big way.

So it's been a challenging year. When we take a look at just the asset class as a whole, we take a look at returns across different credit buckets, the worst performing areas this year to date have been: number one has been actually global aggregate indexes have been down about 4.27% year to date. Next has been Canada AG, so the Canadian yield curve has actually moved a lot, even more so relative to the US curve. And that's typically just been because the Bank of Canada has been a little bit more hawkish and a little bit ahead of the curve relative to the Fed. So that has manifested itself in kind of yields moving a little bit higher and a little bit faster in Canada relative to the United States and frankly, relative to the rest of the world.

And then finally, kind of third place loser for this year has been emerging markets. That's been primarily more of a recent trend. As we know, there was the Evergrande debacle back in September where they missed some loan payments. They were a bit late on an interest payment on a bond. They ultimately made it on the 11th hour and avoided default. But nonetheless, we have seen some spillover into EM generally speaking and we have seen spreads widen there and they continue to widen.

So on the other side of the coin, what has performed well this year? Number one, not much of a shocker, TIPS have performed well, just over 5% year to date, followed up by US high yields. And then finally, leveraged loans have also performed well this year, the last two, primarily driven by a couple of things. Number one, high yield still has those high coupons, so you get a decent, I say, high, relatively investment grade.

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Étienne Joncas-Bouchard: We're not talking absolute anymore.

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Himesh Patel: Yeah, it's all relative. It's all relative.

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Andrei Bruno: Certainly not relative to historic norms. But again, you still have a decent income return there to kind of overpower any duration place/plays. And then on the leveraged loan side, you know, you do get a positive coupon there as well, but those are also floating rates. So they have they've actually benefited from rates moving higher there. So that's kind of a high-level overview of fixed-income markets. Again, it's been very challenging, primarily on the back duration, and we expect those challenges to continue moving forward into 2022.

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Étienne Joncas-Bouchard: Well, that's definitely a very good summary. There's a lot to unpack there, and I'm actually quite excited already. I've got a few questions lined up just as a follow up to that. You mentioned the yield curve steepening at the beginning of the year, and now we're starting to see kind of the opposite as central banks become a bit more hawkish or you're seeing those short-end rates or lending rates start to move up. Is that something that ... it's more based on the short end going up rather than the long end coming down? Am I correct in saying that or is or is there's a bit of both?

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Andrei Bruno: Yeah, that's broadly speaking, that's correct. We have seen the long end kind of push a little bit lower as of late. But I mean, if we take a look at historically and we take a look at, say, for example, the Fed and we look at the last three rate hike cycles for the Fed and we take a look what happened to the yield curve kind of six months before and six months after the first rate hike in a cycle? So, what we've typically seen is we've seen the yield curve flatten just like we, we're seeing it right now.

So, if we take a look at 2s/30s and 2s/10s spread, and when I say that we're looking at the yield difference between the two-year Treasury and the 30-year and the two-year Treasury and the 10-year. So we're just looking at the difference in yields there. So typically, what we've seen on average is kind of those 2s/30 spreads to flatten about 63 basis points around the first rate hike and for the 2s/10s about 52 basis points around the first rate hike. So it's not something that's kind of unexpected. This is exactly the type of behavior that we typically expect.

And again, as you alluded to, it is predicated on, again, those central banks moving short-term rates higher. So again, the pressure becomes on the short end of the curve during rate hike cycles.

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Himesh Patel: Yeah, and you made a good point there on clarifying flattening is really because of short rates rising a little bit recently. And you know, when you historically look at like you were saying, Bruno, when we get fed cycles, the 2s/10s, 2s/30s tends to lead before you hear any commentary or any Fed speak or any central bank speak when you read that. But recently we've been seeing a lot of volatility and it's all predicated on sort of that inflation data, the outlook on the macro front, and this new variant. So, talk a little bit about how the market is kind of reacting to the recent news over the past couple of weeks or so.

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Andrei Bruno: So, yeah, when we're talking about the Omicron variant, so that's where we did see a little bit of the long end kind of react to that and come off a little bit, right? So again, as I mentioned earlier a long end predicated kind of on inflation expectations and GDP output, right? So anything that threatens either of those two things is typically going to have a bit of an effect on the long end. So again, the fear is with this Omicron variant is, are we going to get another lockdown scenario? You know, are we going to get a slowdown in GDP and growth as a result of this, if it turns out to be kind of a scary variant, so to speak.

You know, initially right now, there isn't a ton of information on Omicron. There's some reports that saying it's milder relative to the Delta or the original alpha. But right now, we just don't know enough about it to make any concrete forecasts about it, right? I'm not an epidemiologist. I'm not a scientist.

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Étienne Joncas-Bouchard: Even the scientists don't know all that well.

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Andrei Bruno: just it, I mean, I know we're all kind of hoping it's just going to be ... it's mild and we don't need to worry about it and we can continue on. But it's certainly a risk in the short term for all markets across the board.

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Étienne Joncas-Bouchard: I think that's a great point to make because we don't really know what the impact would be. But obviously, markets are always looking forward and trying to see how the potential impacts could be if it's, for example, like Delta or is it like a completely different monster?

I was thinking about when you're talking about rates, because right now, if you look at our rate hikes, excuse me. Yes, the short end is reacting to central bank tones. But right now, options markets are pricing in a little bit more than four rate hikes in Canada next year. And correct me, if I'm wrong, I think something like three in the U.S. To me, that's that seems like a fairly drastic change. And the last time that we haven't seen that many rates hikes in, say, like a 12-month period in a very long time.

Do you think that's a high-probability scenario, albeit that's what's being priced in? Or it seems maybe a little bit too quick to go that aggressively and you can even split both because I think there's different realities for Canada and in the U.S., with Canada having a much more levered, for example, consumer ... that might play a role as well, right? Like we were talking about Omicron and everything. But if you look at the structural formation of both economies. Your two cents on that?

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Andrei Bruno: Yeah, I mean, ultimately, for Canada, as you mentioned too, I think it's it's over four and a half, well over four hikes that are currently priced in the market. For me, it seems a bit aggressive. I'm not sure like to your point with regards to the consumer, they're relatively heavily levered here in Canada. So the question is we primarily have a supply driven inflation problem right now with supply chain bottlenecks and shortages, what have you. Typically rate hikes, the central banks are targeting kind of the aggregate demand side of the equation, right? So, consumption.

So, the question is, and I know Christine Lagarde at the ECB and Chair Powell have kind of echoed the sentiment, is saying, well, we have this supply-driven inflation, rate hikes aren't necessarily going to be able to combat the supply side issues. So the question comes to the Central Bank of Canada is, as well, if it's a supply-driven issue, do we want to choke off consumption by raising rates four times, given how levered the consumer is? I would be inclined to think no would be the answer to that question.

At the end of the day, and if you look at the last couple of rate hike cycle, they've been pretty conservative with the pace of rate hikes, so I'm not sure we're going to be able to get four in next year. I know Governor Macklem at the Bank of Canada recently, they changed their wording a little bit and initially said we're probably going to get the first rate hike in the second half of 2022. And that has now changed to we're probably going to get the first rate hike in the middle quarters of 2022. So that's been moved up a little bit, which in theory could open the door for perhaps an extra hike and probably what we were pricing in earlier on. But again, four seems a little bit ambitious to me.

When you look at south of the border and you take a look at the Fed, two rate hikes seems somewhat reasonable. It seems like it's something they could very well get in. So right now, they've kind of signaled that they're looking to end the tapering sometime in June of 2022. Recently, Chairman Powell said that it's possible that that could get sped up a little bit. So I'm kind of interpreting that as if they can speed that up and ended a little bit earlier, it might open up the door to maybe squeeze in an extra rate hike from the Fed next year. But I think two seems reasonable. Four the Fed? I think four for the Bank of Canada seems a little bit ambitious.

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Himesh Patel: Yeah, I totally agree with that. And, you know, options markets are forward looking. They tend to be aggressive historically when pricing in sort of interest rate hikes and cuts, and we saw exactly how volatile that can be last week, right? So, Friday, we got the news on the variant and the market reacted pretty sharply. The market was pricing in that first hike, as Andrei was saying, in and around that June timeframe next year. So, it was pretty much a certain probability. It was about a 100% probability before Friday and then Friday hit, and that probability shrank to 30 to 40%. So, it's the market taking in sort of this news and repricing itself. And you know, I think as we sit today, two is okay in the US and four is definitely aggressive in Canada. I think I would still definitely take the under just because we've heard from the Fed and the Bank of Canada recently as well, that they're not going to be able to fight inflation if we continue to see supply by raising interest rates. So, I totally agree with you, Andrei. I think it's probably going to require going to have to take the under on that probability going forward.

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Étienne Joncas-Bouchard: Yeah, we don't we don't support gambling on this podcast, but.

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Himesh Patel: Yeah, theoretically speaking.

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Étienne Joncas-Bouchard: Theoretically speaking.

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Andrei Bruno: The other thing that needs to be considered as well is, you know, if you think of a scenario where the Bank of Canada gets four rate hikes in and the Fed only gets two hikes in, yes, you have to think about rate differentials between the two countries and the effects on the exchange rate. So at the same time, we know and again their mandate is not to control the currency or even look at the currency. But at the end of the day, you have to assume that the Bank of Canada governors are cognizant of the exchange rate, and we certainly don't want the loonie strengthening up too too much relative to the U.S. dollar. This is historically always been the case, so you have to you have to think about how much stronger the loonie could possibly get if we get an extra two hikes ahead of the Fed in 2022.

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Étienne Joncas-Bouchard: That's definitely something to keep an eye on for Canadian investors. I mean, currency, we tend to not necessarily neglect, but not necessarily focus in on as much when we're looking at our total return stream, but definitely does play a major role, especially in fixed income, where you have security that generally offer obviously a lower volatility profile, but definitely a lower return profile on an absolute basis. So that's a very good point to make. I'm going to shift the conversation a bit back to ... so in the start here, Andrei, you mentioned some perform, you know, the performance of various asset classes and various indices. Not to necessarily say, let's go back and look at specific sectors, but from a performance standpoint, but is there any good value anywhere? Because it seems like you said spreads are historically tight in those sectors. And then if you look at like treasuries or Government of Canada bonds, it's tough to look at and say there's an outright thesis or case for one specific place. But is there relative value somewhere in fixed income? Like where can advisors and investors potentially look to reallocate in their fixed-income sleeve?

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Andrei Bruno: So, if we're if we're looking at kind of the sectors of the fixed-income market, one area where we're seeing some relative value is in the leveraged loan space, also known as bank loans.

And the rationale there is if we take a look at these instruments, they're typically rated Single B, Double B. And you know, if you compare that to Single B, Double B high-yield bonds, what you'll notice is these leveraged loans are still trading at a bit of a discount, whereas the comparable bonds are actually trading at a premium. So, from a risk perspective, they're rated similarly, but one is trading at a premium and the other is trading at a discount. So from that perspective, I would favor the leveraged loans versus the high yields with regards to that on a relative valuation basis.

And then that also coupled with the fact that leveraged loans are also floating-rate, we'd expect them to perform decently well in a rising-rate environment. So again, they look relatively attractive to their high-yield counterparts, and it is one of the areas market that performed well last year and again typically performs well in a rising-rate environment. So obviously, there's some clients out there who might be lower-risk and can't tolerate these types of high-yield products, so it might not be a good solution for them. But broadly speaking, for an allocation, it does make sense to hold these sets of products going into a rising-rate environment.

But if you look at the other areas of the market, things are a little bit tougher. Even if you look at TIPS going into next year. It was one of the best performing asset classes within fixed income for 2021. Is that going to continue into 2022? It's hard to say. Again, there's lots of indications that inflation will keep up next year. Most folks don't think the supply chain issues are going to sort themselves out up until 2023.

But the other thing to consider is the Fed as well. So, we do know they are entering into their tapering process here. So, one asset class they're likely not going to be in the market buying now is TIPS. So there was tons of demand from the Fed in 2021 for TIPS as well as the market generally speaking. So, valuations on TIPS right now are relatively rich. That coupled with the Fed paring back their demand for this asset in 2022. So it'll be interesting to see if TIPS are going to keep up for next year again. If I was a betting man, gentlemen's bet, of course, I'm not sure it's going to be able to post the same types of returns it did last year. I mean, soaring, soaring inflation notwithstanding, of course.

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Himesh Patel: Yeah. And, you know, just to take a little step back, our jobs are to talk to advisers across the country on a daily basis, and fixed income has been sort of that pain point for a lot of clients in their portfolios for the better part of two years now. It doesn't typically happen that way, that it lasts this long, right, because normally we see a negative year in fixed income in the aggregate subside in the next following year. And this year is kind of different. We're seeing a lot of volatility. We're seeing a lot of valuations are pretty rich across the board. But there are historical things that we can look at.

So when we're typically in this mid to late-cycle phase of the cycle, the market's still trying to gain some footing in terms of the outlook. But like you said, Andrei, that valuations look pretty rich. We can be in this range for three to four years historically, like we saw in 2016 and 2018, where high-yield spreads, for example, were just bouncing around in that 300 to 400 basis points range, but you were still clipping a positive coupon. So, yields are attractive. And I think what we're getting at here is diversification within the fixed-income asset class is key, especially in this moment in the environment, in the market environment, just because clients are looking for yield, but you're also looking to protect on the downside. You still want to maintain diversification with your fixed income because there's equity market volatility. And I think that sort of multisector fixed-income approach makes a lot of sense, especially if we're heading into that rate cycle where valuations look rich, but you're still trying to get yield. High-yield floating rate bonds are attractive from that perspective and still provides that diversification aspect to it.

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Étienne Joncas-Bouchard: I'll add to that HP and say yes, the multisector approach seems to make a lot of sense. I'd argue that active management versus passive management makes a lot of sense because you're able to, you know, obviously not adequately. You know, obviously, I don't want to say adequately positioned the portfolio, but you have a lot more tools at your disposal.

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Himesh Patel: Flexibility.

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Étienne Joncas-Bouchard: Exactly. You have a lot more flexibility to manage some of the notable headwinds that are the base case scenario going into next year, which is, for example, rate hikes. So that's reducing exposure to government bonds on a relative basis to corporates. Yes, valuations are our spreads are tight and valuations are full for investment-grade corporates and things like that. But there's just so many other advantages of going with an active manager that's able to not only do great bond selection, but that can do great asset allocation and play those moves in the yield curve because if what we've seen so far year to date. If your timing has been good, you could have made, you can have a positive return on the year by, for example, going longer duration back in March or going and then going back shorter duration, recently on the long end. There's a lot of things that managers can do to mitigate some of these, some of the issues. I don't know if, Andrei, you have a few thoughts on that yourself, but we've definitely seen it from a performance standpoint of most active managers mandates in the industry relative to the passive indices. I think that's a pretty clear indicator, but …

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Andrei Bruno: Yes, absolutely. I think if you look at the returns of active mandates over last year relative to their passive counterparts, it's pulled the story there, right? As I mentioned earlier, the global AG is down 4.87% year to date. There are a ton of multisector global mandates that are kind of in the black for the year, if not flat for the year, right? So, right there alone is evidence enough. And that's just it, right? In those challenging markets, in those bear markets, that's when the active managers are able to shine, right? And so I know you alluded to it a little bit earlier, but again, just the flexibility around making those tactical calls, whether it's credit or whether it's allocating high yield versus investment grade. Just having that flexibility allows them to kind of find those little areas the market, those little idiosyncrasies as they pop up, take advantage of them, but also at the same time are able to avoid what might be problematic areas in the market right? Those passive mandates, you know, they've got to match the, you know, the risk profile of the underlying benchmark, which they track. So yield curve positioning, they unfortunately can't do that. They have to match the rate durations, whereas those active mandates they can barbell if they want, for example. But that flexibility is unavailable to Passman.

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Étienne Joncas-Bouchard: Absolutely. And our end, our 100 % depended on issuance patterns, in periods like last year where government, obviously corporations issued a lot of debt. But governments are running record deficits. They need capital, they're issuing a lot of debt. Well, that's part of the aggregate index now. It's part of the investment universe. So, there really isn't any flexibility there. That's a very good point. We spoke a bit about asset class positioning within the fixed-income space. Now let's take a little bit, a bigger perspective or higher up perspective from an actual investment portfolio with say, like the average investor will have some type of combination of equities and fixed income. Let's use as a base case the classic balance of a 60 % equity, 40 % fixed income. How should those advisors and investors adapt their portfolio? Is the solution only changing up the stuff in the fixed-income sleeve? Or is it trying to find ways maybe to if you can permit it, maybe reduce your fixed income overall and without necessarily saying there's one perfect solution for every investor. But if you are an asset allocator in a place with balanced funds, what would be your call maybe going forward for the next year say?

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Andrei Bruno: Yeah, that's a great question. And I know it's different for every single client, but ..

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Étienne Joncas-Bouchard: It's a terrible question. What do you mean? I just put you on the spot.

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Andrei Bruno: No, I mean, ultimately, it unfortunately does come down to risk for its whatever any typical client can accept in terms of risk right now. It's going to be a challenging year for fixed income. Personally, I would try to allocate as much to equity that my risk metrics allow me to going into next year because it is going to be a challenging year. It's not going to be ... you're not going to be shooting the lights out with your fixed-income returns. Again, notwithstanding some sort of black swan event where we see rates rally a lot because the market is selling off or anything like that. But again, the economy is slated to do decently well. Defaults are going to be relatively benign over the next eight to 12 months, as forecasted by the rating agencies there. So, for me, I would allocate more to equities than fixed income just because the returns unfortunately aren't going to be there in the fixed-income space.

But again, it all comes down to risk. You have some of those clients who need capital preservation, who need income, and kind of shifting more into equities might not be the right play from a risk perspective. But then again, for those for those clients who have a higher risk tolerance or a longer investing horizon to allocating a little bit more to equity or even some, perhaps, alternative fixed-income products would make sense to supplement yield.

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Himesh Patel: I'll just make one quick point, because we're close to time here, but I guess one way and again, all revolves around risk tolerance and time horizon, but I think one way we've seen clients reposition is going into dividend-paying equities as opposed to fixed income. So, if you're still looking for that yield, dividend equities get you that higher yield on a monthly basis. But again, it's an equity asset class. You're taking on more volatility, but that's just one way that we've seen clients going to reposition their fixed income and equity positions.

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Étienne Joncas-Bouchard: That's definitely a great point HP. I think we've seen, I think, dividend-paying equities, you know, maybe not necessarily taken away from fixed income, but maybe just changing up your equity sleeve. If you are looking for that income generation because coupons are, like you said, Andrei at the outset, coupons are relatively high in some of the sectors still like, and we expect the defaults to remain low. So it's not a bad place to be, necessarily.

It's just on a relative basis, if you're getting, say, if you look at the Hague indices and that's not the best example, you know, you're yielding between, say, 1.25 to about 1.8%, depending on which indices you're looking at. If you have higher needs for some of your investors or as an investor, you want more income, there are other ways to supplement that, obviously. And then I think what we've seen also is that shift towards alternatives, as a way to diversify the portfolio, hopefully manage volatility in a similar way that fixed income would. But obviously, you know, there has to be a lot of due diligence done when doing a move like that not to be neglected. Yet, like you mentioned, HP were heading into time already. It seems like it flew by. Without making a prediction or statement, are there any key themes or key events that both of you are looking for that could impact fixed-income markets going into the new year and say, the first two quarters of next year?

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Andrei Bruno: Yeah, for me, I think it's the inflation story. Again, it's the question for next year is it going to kind of maintain around these elevated levels or are we going to see it get worse? Right? So I think that's the biggest kind of risk for fixed-income markets next year is inflation getting even hotter? Obviously, we know then it's going to put central banks in potentially a difficult spot where they're forced to raise rates faster than they otherwise might have wanted to. So I think for fixed-income markets, that is kind of the biggest risk for next year. Obviously pick another Greek alphabet letter variant that pops up. That's obviously also probably one of the biggest kind of risks on the horizon as well. But inflation for me would be the number one kind of risk, the thing to keep an eye out for next year.

[00:34:36]

Himesh Patel: Yeah. Pending any new Greek letters coming out in the near future, I'll take maybe not just the fixed-income approach, but just more broadly, this is going to be the first holiday season post-COVID, where we have very little restrictions or none restrictions. Travel is open, borders will be open. So I'm going to be looking at how the consumer is going to be reacting to this over the next couple of quarters and from a retail sales perspective. If you look at any PMIs, any surveys. So that's going to be how I think one interesting thing that's going to play out over the next couple of months. And I think that's going to be a big driver of sort of market expectations going forward.

[00:35:22]

Étienne Joncas-Bouchard: So some of the key macro data looking out for, I guess, what's going to be out in Q4 2021, that's a pretty good place to look. I saw recently, Apple notified suppliers supposedly that they're going to have a weaker-than-expected holiday season. I mean, I guess we'll find out in due time. But guys, I want to thank you very much for joining us today. I think it was a great episode. Andrei, this is your first one, but we're definitely looking forward already to having you back. I think this is a great conversation. So, I'll leave it at that. Thanks, everyone. Have a good day.

[00:35:59]

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