

Experts weigh in on what investors should expect in 2022

By: Staff | December 30, 2021 | 09:00



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Investors should expect the unexpected in 2022, according to George Athanassakos, professor of finance and the Ben Graham chair in value investing at Western University's Ivey School of Business.

“2022 is likely to be filled with hidden hazards, both known unknowns and unknown unknowns,” he wrote in an email to the *Canadian Investment Review*.

This prediction doesn't mean investors should expect the new year to be very different from 2021, he said, noting investors struggled with a range of unforeseeable challenges this year.

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“Between mixed signals about inflation, tapering by the [Federal Reserve] and signs of structural weakness in China’s over-leveraged real estate sector, investors have just been through a volatile year in 2021. We saw the emergence of the meme stock [phenomenon]. Special purpose acquisition companies became commonplace. Cryptocurrencies reached new highs and non-fungible tokens saw rampant trading.”

One thing Athanassakos does expect in 2022 is a change in central bank policies. After almost two years of highly accommodative monetary and fiscal policies, he’s confident the new year will see some sort of reversal.

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“However, supply chain bottlenecks and rising inflationary pressures have started to raise serious concerns and present Catch-22 problems for policy-makers around the globe. In the U.S., the consumer price index hit 6.8 per cent in November, the highest recorded since late 1980s.”

He’s less confident about whether inflationary pressure will be a permanent or temporary phenomenon. “This will be the million-dollar question for 2022.

“... Inflationary pressures will continue to worry the markets and be a wild card for 2022. Considering this, monetary policy is expected to tighten faster than previously anticipated, though fiscal spending remains elevated. Economic growth forecasts will see downwards revisions, while volatility in the capital markets will be the name of the game.”

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Also looking ahead to 2022, Catherine Ann Marshal, a principal consultant at RealAlts Inc. and an expert on environmental, social and governance issues, noted that many pension plan sponsors will have to figure out how to address ESG investing policies.

“The biggest ESG trend in 2021 was plan sponsors setting net-zero goals for their portfolios. In 2022, pension plan sponsors will be thinking about how to link their net-zero goals to their investments in renewables and how to accelerated deploy into these investments effectively.”

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