

Commentary

ECONOMIC OUTLOOK

- US GDP still growing at 2% level with continued strong consumer spending and confidence
- Canada's growth expected to be only 1.5% this year; recent resource and export growth improved
- Growth in European Union slowing to recession levels; Brexit resolution still unknown
- Slower growth in China expected in 2019; trade war with US still a concern

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 2.25% – 2.50% and 1.75% respectively
- US rates expected to be reduced in Q3 with slower growth
- Canadian rates not expected to decline this quarter as recent economic data is better
- Longer term rates falling because of moderating US economic growth
- 2.0% inflation expected in North America and Europe

ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Maintaining lower equity weightings than normal as now more cautious after strong recovery in markets this year

MARKET OUTLOOK

- Positive US economic growth and corporate profits continue but at a slower pace than anticipated
- Federal Reserve expected to reduce rates in second half of year as required to support growth and markets
- Trade dispute between China and US ongoing with little resolved at G20 meeting
- US, Mexico, Canada Agreement (USMCA) for trade still not finalized
- US corporate profit growth forecasted to be 5% - 8% in 2019
- Oil \$55 – \$65 US; C\$ 0.75 – 0.77 range vs. US\$ in 3rd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds