ridgewood
CAPITAL ASSET MANAGEMENT

Commentary

ECONOMIC OUTLOOK

- US GDP expected to be negative in 1st half of year but signs appearing that worst is over now that business reopenings have started
- Canada's growth still negative as slower to start reopenings
- Economies of European Union and UK in recessionary mode
- Growth in China continues to decline with ongoing coronavirus situation; negative growth expected in 1st half
- China, EU, Canada, UK and US all providing liquidity to their economies with lower rates, more money supply, and fiscal stimulus

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 0.00% – 0.25% and 0.25% respectively
- US rates reduced by 1.50% in March; quantitative easing i.e. bond purchases reinitiated; Fed confirmed no rate increase until 2022
- Canadian rates reduced by 1.50% in March; Bank of Canada also buying bonds
- Longer term rates falling because of potential recession in North America
- 1.0% inflation expected in North America and Europe

ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Maintaining lower equity weightings than normal given virus situation and negative outlook for economic growth

MARKET OUTLOOK

- Continued concern in market over coronavirus, the reopening of the world economy, and development of a vaccine
- Oil prices to remain weak due to reduced demand related to negative world growth
- Presidential election race between Trump and Biden will be the focus of the market as we move towards the fall
- US corporate profit growth forecasted to be negative in 2020
- C$ 0.71 – 0.74 range vs. US$ in 3rd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds

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