

Commentary

ECONOMIC OUTLOOK

- US economy continues to recover with strong payroll numbers, business re-openings and higher housing demand; GDP expected to be over 7% this year
- Canada's growth improving with vaccine roll outs; consumer spending expected to be better in 2ndH of year
- Economies of European Union and UK now forecast at over 4.5% GDP this year
- After very strong results in 1st Q, growth in China seems to have peaked
- China, EU, Canada, UK and US all still providing liquidity to their economies

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% last year; quantitative easing i.e. bond purchases continue; Fed confirmed no rate increase until 2022
- Canadian rates also reduced by 1.50% last year; Bank of Canada continuing government bond buying program but at a reduced rate
- Longer term rates have plateaued as concern for higher inflation has diminished

ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Maintaining lower equity weightings than normal given the market recovery and elevated stock valuations

MARKET OUTLOOK

- Concern in market has shifted from coronavirus and vaccine supply to potential higher interest rates as global economies re-open
- While inflation recently has hit higher levels (5.0%), we expect only 2.0% - 3.0% range this year
- Oil prices continue to rise with recovery
- US Government infrastructure package will support recovery and stock markets
- US corporate profit growth expected to rise 20-25% + in 2021
- C\$ 0.79 – 0.81 range vs. US\$ in 3rd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds