

Commentary

ECONOMIC OUTLOOK

- Slower US growth expected in 2nd half of year due to higher interest rates; 2.5 – 3.0% annual GDP expected
- Canada's growth also expected to slow in 2nd half due to weaker housing market
- EU/UK economies now declining with higher interest rates and inflation
- China expected to be under 5% GDP growth as real estate debt problems and COVID lockdowns continue
- Only China now providing stimulus to their economy

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 1.50% – 1.75% and 1.50% respectively
- US rates raised 150 bp so far in 2022; Fed now reducing quantitative easing; 75bp increase expected in July
- Canadian rates raised 125 bp so far this year; Bank of Canada has ended quantitative easing; a 75 bp increase expected in July
- Yield curve has flattened with 2 year and 10 year bonds offering similar rates

ASSET MIX OUTLOOK

- Favoured equity markets (in order): Canada, US
- Maintaining lower equity weightings and some cash given slowing fiscal/monetary stimulus and higher interest rates

MARKET OUTLOOK

- Higher consumer inflation numbers and resulting interest rate increases still main concerns of the market
- A flat to inverted yield curve indicates slower growth or even a recession in the future
- Inflation expected to fall in second half from current elevated level with slowing economy and higher rates
- Ridgewood bond funds continue to be more defensively positioned with lower exposure to long term bonds
- Oil prices will continue to be volatile with Ukraine situation and now concern over economic slowdown; other commodity prices starting to decline
- US corporate profits expected to be lower in 2nd half
- C\$ 0.76 – 0.78 range vs. US\$ in 3rd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds