

## Commentary

### ECONOMIC OUTLOOK

- US GDP still growing at 2% level with continued strong consumer spending and confidence
- Canada's growth expected to be 1.5% this year; recent economic data has been better
- Growth in European Union slowing to recession levels; Brexit resolution still unknown
- Growth has declined in China as trade war with US a major concern

### INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 1.75% – 2.00% and 1.75% respectively
- US rates reduced by 0.25% in both July and September with lower world growth
- Canadian rates not expected to decline this quarter
- 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 in a slower economic environment

### MARKET OUTLOOK

- Positive US economic growth and corporate profits continue but at a slower pace than anticipated
- Federal Reserve has reduced rates in second half of year and will continue to support US growth
- Concern in market over lack of progress in US/China trade dispute, possible impeachment of Trump and peaceful resolution of Hong Kong situation
- US corporate profit growth forecasted to be 5% - 8% in 2019
- Oil \$50 – \$60 US; C\$ 0.75 – 0.77 range vs. US\$ in 4<sup>th</sup> Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds