

Commentary

ECONOMIC OUTLOOK

- US economy recovering but at slower pace; supply bottlenecks and labour shortage has impeded growth and caused inflation concerns; GDP expected at 4.5 - 5% this year
- Canada's growth also slowing through the summer; GDP expectations now for only 4.5%
- Economies of European Union and UK now forecast at over 5% GDP this year
- China now showing signs of slowdown; recent concerns with real estate debt (Evergrande) and power shortages hurting growth expectations
- 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 unchanged this year; Fed considering reducing quantitative easing by year end; no rate increases expected until late 2022
- Canadian rates also unchanged this year; Bank of Canada has reduced bond buying program by half
- Longer term rates rising slightly with higher inflation concerns

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 is now focused on higher inflation and potential higher interest rates with global economic recovery
- Inflation recently has been higher than expected with global supply chain issues but we expect only 3.5 – 4.5% 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 15-20% in 2021
- C\$ 0.79 – 0.81 range vs. US\$ in 4th Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds