

Commentary

ECONOMIC OUTLOOK

- US GDP expected to slow to under 2% level even with continued strong consumer spending
- Canada's growth expected to be only 1 – 1.5% this year
- European Union growth remains muted; Brexit resolution still unknown even with Conservative party victory
- Growth in China has been weak with US trade war contributing; moderately better growth expected this year
- China, EU, and US all providing liquidity to their economies with lower rates / more money supply

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 1.50% – 1.75% and 1.75% respectively
- US rates reduced by 0.75% in 2019; no reduction expected in 2020
- Canadian rates expected to decline in 1st H of year
- Longer term rates stable 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 in the past; no recession expected in US this year
- New trade deals agreed upon; US, Mexico, Canada (USMCA) and Phase One deal with US/ China done; details are limited; market receiving positively
- Concern in market over impeachment proceedings vs Trump, beginning of US presidential election cycle and possible geopolitical confrontation with Iran
- US corporate profit growth forecasted to be only 2% - 5% in 2020
- Oil \$65 – \$75 US; C\$ 0.75 – 0.77 range vs. US\$ in 1st Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds