

## Commentary

### ECONOMIC OUTLOOK

- US economic recovery continues but at slower pace; housing and employment still strong; 4% GDP expected in 2022
- Canada's growth expected to be near 4% level but slowing due to weaker housing and higher personal debt levels
- Similar growth levels expected in European Union and UK but unemployment still higher
- China's economy also slower with weaker exports and retail sales; 4 – 5% GDP expected in 2022 but real estate debt still concerning
- 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 in 2021; Fed now reducing quantitative easing by \$30b a month; 3 rate increases expected in 2022
- Canadian rates also unchanged in 2021; Bank of Canada has ended quantitative easing but still reinvesting maturing bonds; 3 rate increases also expected this year
- 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 extended stock valuations and slowing fiscal / monetary stimulus

### MARKET OUTLOOK

- Concern in market on higher inflation numbers and expected increase in interest rates to counter them
- Inflation higher in first half with continued supply chain problems; falling in second half to 3% level with slowing economy and higher rates
- Ridgewood bond funds are now more defensively positioned with lower exposure to long term bonds
- Oil prices elevated with recovery and lack of supply; commodity prices also higher
- US corporate profits expected to rise less than last year; 8-10% in 2022
- C\$ 0.78 – 0.80 range vs. US\$ in 1<sup>st</sup> Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds