

# Commentary

## ECONOMIC OUTLOOK

- US economy stronger than anticipated in 1<sup>st</sup> Q; 2% GDP growth expected this year
- Canada's growth expected to be lower than US at 1% or less
- No recession expected in North America in 2024
- EU/UK economic growth continues at less than 1% level with lower inflation
- China's expected growth rate under targeted annual 5%; government stimulus expected to increase in 2<sup>nd</sup> H

## INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 5.25% – 5.50% and 5.00% respectively
- Rates increased 100 bp and 75 bp in US and Canada respectively last year to lower inflation; inflation now near 3% in both countries
- Interest rates expected to be cut by central banks in 2<sup>nd</sup> H 2024

## ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Looking for opportunities to increase equities with any weakness in markets
- Bonds attractive at current yields with inflation declining

## MARKET OUTLOOK

- Market still focused on the level of interest rates and when central banks will start reducing them
- Inflation down to under 3% in US / Canada from over 9% in 2022; current data points to lower inflation in 2<sup>nd</sup> H in both countries
- Corporate profits started 2024 strongly after better than expected rise in 2023; 10% increase expected for full year
- C\$ 0.72 – 0.74 range vs. US\$ in 2<sup>nd</sup> Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds