

# Commentary

## ECONOMIC OUTLOOK

- Strong economic growth in the US exhibited in first H; 2% GDP growth expected for full year
- Canada's growth expected to be lower than US at 1 - 1.5%
- No recession expected in North America in 2024
- EU/UK economic growth continues at less than 1% level with lower inflation
- China's growth rate currently under the targeted 5% goal; 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 4.75% respectively
- Rates reduced 25 bp by Bank of Canada in early June; more reductions expected in 2<sup>nd</sup> H of 2024
- US Federal reserve expected to cut rates in late 2<sup>nd</sup> H of year

## ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- While equities are favoured, bonds attractive at current yields with inflation declining

## MARKET OUTLOOK

- Market still concerned on the level of interest rates and how quickly the central banks will reduce them
- Despite strong market fundamentals, the media will try to focus investors on the upcoming US Presidential election and individual candidates
- Inflation down to under 3% in both US / Canada from over 9% in 2022; lower inflation in 2<sup>nd</sup> H in both countries is expected
- Corporate profits have been better than expected so far in 2024; 10% increase anticipated for full year
- C\$ 0.72 – 0.74 range vs. US\$ in 2<sup>nd</sup> H
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds