

Commentary

ECONOMIC OUTLOOK

- Higher interest rates and tightening credit standards will continue to slow US GDP; only 1-2% growth expected in 2023
- Canada GDP also slowing with elevated rates and weaker housing; 1-2% growth also expected this year
- EU/UK economies trending down to under 1% growth in 2023; more rate increases to come as inflation still 6-8%
- Anticipated recovery in China now faltering; more fiscal stimulus expected to support economy in 2nd H.

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 5.00% – 5.25% and 4.75% respectively
- US rates increased 75 bp so far this year; maybe 25 bp more
- Canadian rates increased by 50 bp year to date; increases near completion
- Yield curve in both countries inverted with 2 year rates higher than 10 year bond rates; slowdown or recession coming

ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Maintaining lower equity weightings until rate increases are finished
- Bonds now more attractive at current yields with economy slowing and inflation numbers improving

MARKET OUTLOOK

- Less concern with US regional banks as three troubled companies have been merged with stronger entities; the Fed and markets still watching for commercial real estate problems
- Inflation has declined over the last year from 9% to 3-4% level; housing, leading indicators, slower retail sales and lower money supply pointing to continued decline
- Corporate profits in North America have been better than expected in 1st H but could slow in 2nd H of the year
- Oil prices have stabilized in the \$70 range with production cuts
- C\$ 0.73 – 0.75 range vs. US\$ in 3rd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds