

# Commentary

## ECONOMIC OUTLOOK

- US still showing strong economic growth with 2% GDP expected this year
- Canada's growth is lower at only 1%
- No recession expected in North America in 2024
- EU/UK economic growth continues at less than 1% with inflation now under 2%
- China's government now using substantial fiscal and monetary stimulus to support a weakening economy.

## INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 4.75% – 5.00% and 4.25% respectively
- Rates reduced 75 bp by Bank of Canada so far this year; more reductions expected in 4<sup>th</sup> Q of 2024
- US Federal Reserve reduced interest rates by 50 bp in September; more cuts expected in 4<sup>th</sup> Q of the year

## ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- While equities are favoured, bonds attractive with low inflation and declining interest rates

## MARKET OUTLOOK

- Now that North American central banks have started interest rate reductions, the market will focus on how quickly they continue to act to support economy and earnings
- US presidential election and potential larger war in the Middle East will be the concern of the market in the short term even though market fundamentals are good
- Inflation down to under 2.5% in both US / Canada with lower levels expected as we enter 2025
- Corporate profits still positive and expected to show 10% growth for the year
- C\$ 0.72 – 0.74 range vs. US\$ in 4<sup>th</sup> Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds