

Commentary

ECONOMIC OUTLOOK

- US economy has been stronger than anticipated; expected to grow 1.5-2% for full year with the consumer still spending
- Canada's growth expected to be lower than US, likely 1%, due to housing weakness and lower exports to the US
- EU/UK economic growth expected at 1% level, probably higher than Canada
- China's economy continues to have high debt, real estate and consumer spending problems; tariff negotiations with the US could slow export growth

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 4.00% – 4.25% and 2.50% respectively
- Rates reduced 75 bp by Bank of Canada so far this year; 2 cuts of 25 bp each expected for remainder of this year
- US Federal Reserve reduced by 25 bp in September; 25 - 50 bp further cuts expected before year end
- Inflation in 2.5% range for North America in 2025

ASSET MIX OUTLOOK

- Favoured markets: US, Canada, International
- Canadian bonds more attractive with expected declining interest rates and slower growth

MARKET OUTLOOK

- Market has been focused on Trump's extensive worldwide tariff program introduced in early April and the volatility it caused; as agreements have been announced the market has totally recovered and gone to all-time highs
- Market expected to continue its positive upward movement supported by strong earnings, lower interest rates and the AI narrative
- Trade deal between Canada and the US expected to be completed in 2026; specific Canadian sectors (autos, dairy, lumber) may suffer
- Corporate profit outlook in North America has been better than anticipated
- C\$ 0.71 - 0.73 range vs. US\$ in 4th Q; US administration wants US dollar to weaken versus other currencies
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds