

Commentary

ECONOMIC OUTLOOK

- US GDP growth expected to be 1.5% - 2.0% in 2024
- Canada's GDP to be lower than US at less than 1%; housing and elevated mortgage rates still concerns
- No recession expected in North America in 2024
- EU/UK economic growth continues to be slow at 1% level but inflation has now fallen
- China's growth less than targeted 5% in 2024 due to lower business investment and consumer spending; more government stimulus required to support property market

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 in 2023 to lower inflation
- Interest rate increase process in North America completed; cuts expected by central banks in 2nd H 2024

ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Maintaining lower equity weightings until interest rate and economic growth situation clarifies
- Bonds now more attractive at current yields as inflation numbers falling

MARKET OUTLOOK

- Market currently focused on the Federal Reserve's position of holding rates at current levels for longer and when the rate reduction process commences
- Inflation has declined over the last year from 9% to 3% level; weaker housing, lower consumer confidence and retail sales pointing to continued decline
- Corporate profits in North America were better than expected in 2023; 10% increase expected in 2024
- C\$ 0.72 – 0.74 range vs. US\$ in 1st Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds