

# Commentary

## ECONOMIC OUTLOOK

- US showing strong economic growth with 2-3% GDP expected this year; low unemployment and strong consumer spending supporting growth
- Canada's growth expected to be lower than US at only 1 - 1.5%; weak housing, both condo and single family, keeping growth muted
- EU/UK economic growth expected at 1% level with manufacturing now showing weakness
- China's economy continues to have problems with high debt levels, weakness in real estate, and declining consumer spending; 5% GDP is targeted for 2025; government stimulus, both fiscal and monetary, continues

## INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 4.25% – 4.50% and 3.25% respectively
- Rates reduced 175 bp by Bank of Canada in 2024; three cuts of 25 bp each expected this year
- US Federal Reserve reduced interest rates by 100 bp last year; maximum two cuts of 25 bp expected

## ASSET MIX OUTLOOK

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

## MARKET OUTLOOK

- Market now focused on new Trump administration and the expected pro-business, less regulation and lower tax environment; tariffs and their effect on growth will be the main concern until clarified
- Strong economic/earnings fundamentals with stable inflation will continue to move markets higher in 2025
- Inflation down to 2.5% or under in North America; rate of decline in inflation could slow this year
- Corporate profits still positive in 2025; 6 - 8 % in Canada and 10 - 15% in US expected
- C\$ 0.68 - 0.70 range vs. US\$ in 1<sup>st</sup> Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds