

## Commentary

### ECONOMIC OUTLOOK

- US GDP expected to be weak in 2020; large negative growth expected in 1<sup>st</sup> half of year
- Canada's growth also expected to be weak to negative this year
- European Union growth remains flat; Brexit resolution still to be negotiated
- Growth in China continues to be weaker with ongoing coronavirus situation; negative growth expected in 1<sup>st</sup> quarter
- China, EU, Canada, UK and US all providing liquidity to their economies with lower rates, more money supply, and fiscal stimulus

### INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 0.00% – 0.25% and 0.25% respectively
- US rates reduced by 1.5% in March; quantitative easing i.e. bond purchases reinitiated; more stimulus expected
- Canadian rates reduced by 1.50% in March; more cuts expected in 2020
- Longer term rates falling because of slowing growth in North America
- Under 2.0% inflation expected in North America and Europe

### ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Maintaining lower equity weightings than normal given virus situation and negative equity markets year to date

### MARKET OUTLOOK

- Concern in market over coronavirus and its impact on Chinese manufacturing supply chains to US and a slowing world economy
- Oil price weakness due to increased production from Saudi Arabia will have negative impact on growth, particularly in Canada
- With these two factors, now real concern over recession in both US and Canada this year
- Democratic presidential election race now down to 2 candidates – Biden and Sanders; a Sanders victory will cause market concerns
- US corporate profit growth forecasted to be negative in 1<sup>st</sup> half in 2020
- C\$ 0.67 – 0.70 range vs. US\$ in 1<sup>st</sup> Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds