

Commentary

ECONOMIC OUTLOOK

- US GDP expected to grow at only 2 – 2.5% despite continued strong consumer confidence and low unemployment
- Canada's growth expected to be 1.5% or less with slower housing, and lack of infrastructure / pipeline projects
- Growth in European Union now slowing to recession levels with continued Brexit problems and poor growth in Germany and Italy
- Slower growth in China expected in 2019; will be negatively impacted by US trade war

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 2.25% – 2.50% and 1.75% respectively
- US and Canadian short term rates not expected to rise this year as indicated by the Federal Reserve and Bank of Canada
- Longer term rates falling because of moderating US economic growth
- 2.0% inflation expected in North America and Europe

ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada
- Lower equity weightings than normal in all accounts as concern with slowdown in global growth

MARKET OUTLOOK

- Positive US economic growth and corporate profits continue; markets have recovered dramatically since year end but concerns over US politics and the direction of interest rates
- New trade deal US, Mexico, Canada Agreement (USMCA) finalized but not signed as steel / aluminum tariffs still outstanding
- US tariff battle with China continues and still underlying concern for world markets
- US corporate profit growth forecasted to be 5 - 8% in 2019
- Oil \$60 – \$65 US; C\$ 0.74 – 0.76 range vs. US\$ in 2nd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds