

Commentary

ECONOMIC OUTLOOK

- US economy now in recovery with declining unemployment, accelerated vaccine rollouts and better leading economic indicators; GDP expected to be over 5% this year
- Canada's growth while lagging US will strongly improve in 2ndH of year; GDP expected over 4%
- Economies of European Union and UK recovering but still have COVID related growth problems
- Growth in China recovering strongly to pre-COVID levels
- China, EU, Canada, UK and US all still providing liquidity to their economies

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 0.00% – 0.25% and 0.25% respectively
- US rates reduced by 1.50% last year; quantitative easing i.e. bond purchases continue; Fed confirmed no rate increase until 2022
- Canadian rates also reduced by 1.50% last year; Bank of Canada continuing government bond buying program
- Longer term rates expected to rise gradually as recovery takes hold
- 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 the strong recovery in stock markets since March 2020

MARKET OUTLOOK

- Continued concern in market over coronavirus, the reopening of the world economy, and distribution of vaccines
- Oil prices recovering with global economic rebound
- Biden administration will provide fiscal and infrastructure stimulus worth \$4T to jump start US economy
- US corporate profit growth expected to rise 20-25% + in 2021
- C\$ 0.79 – 0.80 range vs. US\$ in 2nd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds