

Commentary

ECONOMIC OUTLOOK

- US GDP and employment while negative in 1st half of year now showing signs of improvement in 2nd half
- Canada's growth expected to lag US this quarter
- Economies of European Union and UK still in recessionary mode
- Growth in China now recovering 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% in March; quantitative easing i.e. bond purchases reinitiated; Fed confirmed no rate increase until 2022
- Canadian rates reduced by 1.50% in March; Bank of Canada also buying bonds
- Longer term rates falling because of potential recession in North America
- 1.0% 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 slow recovery for economic growth

MARKET OUTLOOK

- Continued concern in market over coronavirus, the reopening of the world economy, and development of a vaccine
- Oil prices to remain weak due to reduced demand related to negative world growth
- Presidential election race between Trump and Biden will be the focus of the market over the next month
- US corporate profit growth expected to improve as we enter 2021
- C\$ 0.74 – 0.76 range vs. US\$ in 4th Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds