

Commentary

ECONOMIC OUTLOOK

- US GDP expected to grow under 3.0% in 2019 despite continued strong consumer confidence and low unemployment
- Canada's growth expected to be less than 2.0% with slower housing, less retail spending and lack of infrastructure projects
- Growth in European Union now slowing with concerns about Brexit and Italian debt levels
- 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 short term rates increased in December by 0.25%; expectation for two increases in 2019
- Canadian short term rates will increase only on positive economic data
- Longer term rates holding steady 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
- Equities reduced in 4th Q 2018 in order to increase fixed income weighting and become more defensive

MARKET OUTLOOK

- Positive US economic growth and corporate profits continue; market volatility due to concerns over US politics and the pace of future interest rate increases
- New trade deal finalized – US, Mexico, Canada Agreement (USMCA); will provide more stability for Canadian economy
- US tariff battle with China still a concern for world markets
- US corporate profit growth forecasted to be 5 - 8% in 2019
- Oil \$50 – \$55 US; C\$ 0.74 – 0.76 range vs. US\$ in 1st Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds