

Commentary

ECONOMIC OUTLOOK

- US GDP expected to recover in 2021 at a 4.5% - 5% level with both fiscal and monetary stimulus
- Canada's growth expected to lag US but still up 4% this year
- Economies of European Union and UK recovering but still have COVID related growth problems
- 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 2020; quantitative easing i.e. bond purchases continue; Fed confirmed no rate increase until 2022
- Canadian rates also reduced by 1.50% in 2020; Bank of Canada also continuing bond buying program to support markets
- Longer term rates expected to rise gradually as recovery takes hold
- 1.5% 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 to stabilize with expected global economic recovery
- Incoming Biden administration will provide more fiscal stimulus to the US and a stable government for the country and the markets
- US corporate profit growth expected to rise 20% + in 2021
- C\$ 0.78 – 0.79 range vs. US\$ in 1st Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds