

Commentary

ECONOMIC OUTLOOK

- US GDP expected to grow almost 3% with low unemployment, better wage growth and strong consumer spending
- Canada's growth expected to be only 1.5 – 2.0% as housing market and related consumer spending now slowing
- European Union growing at an improved 2% level
- China maintaining growth near 6.5% while moving to a consumer based economy
- Economic recovery in Japan continues with stronger exports and accommodative monetary policy

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 1.50% – 1.75% and 1.25% respectively
- US short term rates expected to increase by 0.50% - 0.75% more this year
- Canadian short term rates increased 0.25% in January; maybe 0.25 -0.50% more in 2018
- Longer term rates will rise slightly with continuing U.S. economic expansion
- 2.0% inflation expected in North America and Europe

ASSET MIX OUTLOOK

- Favoured equity markets (in order): US, Canada, Japan, Europe, Emerging Markets
- Continue to overweight equities vs. fixed income as earnings worldwide expected to grow this year

MARKET OUTLOOK

- Markets remain supported by strong US economic fundamentals (recent tax cuts, better corporate profits, increased capital investment, deregulation, infrastructure spending)
- Still concern over extended market valuations, potential higher inflation and rising interest rates
- Geopolitical concerns over US tariff threats with China, NAFTA trade discussions and British / EU exit negotiations
- US corporate profit growth expected at 10% plus this year
- Lower taxes and strong corporate balance sheets in the U.S will support acquisitions / dividend increases / stock re-purchases
- Oil \$60 – \$70 US; C\$ 0.77 – 0.80 range vs. US\$ in 2nd Q
- Focusing on Canadian dividend paying equities, US growth equities, International (EAFE) equities and Canadian corporate bonds