

Commentary

ECONOMIC OUTLOOK

- US GDP expected at 2.0 - 2.5% level, for 2026; consumer spending still strong but might be affected by higher energy prices
- Canada's growth expected to be lower than US, at 1.0 - 1.5%, due to concern over housing and trade with the US
- EU/UK economic growth also expected at only 1.0 - 1.5%
- China's growth rate is expected at the reported 5% level but the domestic economy continues to be weak; tariff negotiations with the US will slow export growth

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 3.50% – 3.75% and 2.25% respectively
- Bank of Canada expected to remain on hold until economic / trade outlook clarified
- US Federal Reserve expected to reduce rates 25 - 50 bp later this year
- Inflation in 2.5 – 3.0% range for North America in 2026

ASSET MIX OUTLOOK

- Favoured markets: US, Canada, International
- Gold companies over weighted in Canadian portfolio holdings
- Corporate bonds attractive at current yields with market / geopolitical uncertainty

MARKET OUTLOOK

- Geopolitical events will be the concern for 2026 with the recent US action in Venezuela, Greenland and now war in Iran; volatility is expected in markets until the US mid term elections in the fall
- Market still expected to continue its upward movement supported by strong earnings, lower interest rates and tech capital spending
- Difficult trade negotiations expected between Canada and the US this year; specific Canadian sectors (autos, dairy, lumber, steel) will be targeted
- Corporate profit outlook in US is for 10 - 12 % growth with tech / AI related companies higher at 15%
- C\$ 0.72 - 0.74 range vs. US\$ in 1st Q; US administration wants US dollar to weaken further versus other currencies to help with exports and debt repayment; gold will benefit
- Focusing on Canadian dividend paying equities, Canadian gold companies, US growth equities and Canadian corporate bonds