

Commentary

ECONOMIC OUTLOOK

- Slower US growth expected for remainder of year due to higher rates / inflation; 2.5 – 3.0% GDP now expected
- Canada's growth expected at 3.0% but slowing with personal debt and housing concerns
- EU economy expected to be close to recession with continued Ukraine / Russian conflict
- China's economy unlikely to meet 5% growth level with trade slowing, real estate debt problems and new COVID outbreaks
- Only China and EU now providing stimulus to their economies

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 0.25% – 0.50% and 0.50% respectively
- US rates raised 25 bp so far in 2022; Fed now reducing quantitative easing; 75 – 100 bp rate increases expected in 2nd quarter
- Canadian rates raised 25 bp so far this year; Bank of Canada has ended quantitative easing; 3 more rate increases expected this quarter
- Yield curve has flattened with 2 year and 10 year bonds offering similar rates

ASSET MIX OUTLOOK

- Favoured equity markets (in order): Canada, US
- Maintaining lower equity weightings and some cash given slowing fiscal/monetary stimulus and Ukraine situation

MARKET OUTLOOK

- Concern in market on higher inflation numbers and expected increase in interest rates to counter them
- A flat to inverted yield curve indicates slower growth or even a recession in the future
- Inflation expected to fall in second half from current elevated level with slowing economy and higher rates
- Ridgewood bond funds continue to be more defensively positioned with lower exposure to long term bonds
- Oil prices elevated with Ukraine / Russian conflict and shortage of supply; commodity prices also higher
- US corporate profits expected to be 8-10% in 2022
- C\$ 0.80 – 0.82 range vs. US\$ in 2nd Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds