

## Commentary

### ECONOMIC OUTLOOK

- US GDP expected at 2.0% level for 2026; job growth and consumer spending still strong; lower energy prices will help growth in the second half
- Canada's growth expected to less than 1.0% due to stagnant housing market and trade uncertainty
- EU/UK economic growth expected at only 1.0%
- China's growth rate slowing to less than 5.0% with weak domestic economy and continued real estate concerns

### 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 also expected to hold rates steady this year
- Inflation in 3.0 – 3.5% range for North America in 2026

### ASSET MIX OUTLOOK

- Favoured markets: US, Canada, International
- Corporate bonds attractive at current yields with stable rates in Canada

### MARKET OUTLOOK

- Geopolitical events, especially the war in Iran, have been the main influence on markets causing higher energy prices and daily volatility
- While an agreement has been reached for a cease fire and free movement of traffic through Strait of Hormuz, and oil prices have fallen from \$120/b, hostilities and negotiations may continue
- With lower energy prices and inflation peaking, market expected to continue to move higher in the 2<sup>nd</sup> H of the year, supported by strong earnings and tech infrastructure spending
- Trade negotiations between Canada / US expected to be difficult and prolonged after agreement not renewed on July 1; key Canadian sectors (autos, dairy, lumber, steel) will be the focus of the US
- Corporate profit outlook in US is for 10 - 12 % growth with tech / AI related companies higher at 15%
- C\$ 0.70 - 0.72 range vs. US\$ in 2<sup>nd</sup> Q; US dollar still strong from run up in the price of oil (which trades in US dollars)
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds