

Commentary

ECONOMIC OUTLOOK

- US GDP now slowing with higher interest rates; under 2% expected this year and only 1% in 2023
- Canada also slowing with weaker housing; less than 2% in 2022 and 1% in 2023 expected
- EU/UK economies weakening with 10%+ inflation and rising rates
- Bank of England purchasing long term bonds again to support their currency and financial markets
- China growth well under 5% now with continued real estate concerns and COVID restrictions

INTEREST RATE/INFLATION OUTLOOK

- US and Canadian short term rates at 3.00% – 3.25% and 3.25% respectively
- US rates raised 300 bp so far in 2022; 75 bps increase expected in November
- Canadian rates raised 300 bps so far this year; 50 – 75 bps increase expected in October
- US yield curve now inverted with 2 year rates higher than 10 year bond rates

ASSET MIX OUTLOOK

- Favoured equity markets (in order): Canada, US
- Maintaining lower equity weightings and some cash given more rate increases expected in 4th Q

MARKET OUTLOOK

- Markets still concerned with elevated inflation data and rate increases
- An inverted yield curve indicates slower growth or recession in the future
- Inflation expected to continue to fall in fourth quarter and early 2023; commodity prices, housing starts and real estate prices already declining
- Oil prices continue to be volatile but are down from earlier in the year on slowing economy
- Corporate profits expected to be revised downward on higher US dollar and economic concerns as we enter the new year
- C\$ 0.72 – 0.74 range vs. US\$ in 4th Q
- Focusing on Canadian dividend paying equities, US growth equities and Canadian corporate bonds