

Commentary

ECONOMIC OUTLOOK

- US GDP expected at 2.5% level, possibly higher for 2026; consumer spending still strong with fiscal support by Trump administration
- Canada's growth expected to be lower than US, at 1.5%, due to concern over housing and trade with the US
- EU/UK economic growth expected at only 1.2 - 1.5%, probably lower than Canada
- China's growth rate is expected at the reported 5% level but the domestic economy continues to be weak with retail spending and property values declining; 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
- After reducing rates 100 bp in 2025, Bank of Canada expected to remain on hold until economic / trade outlook clarified
- US Federal Reserve expected to reduce rates 50 - 75 bp this year; rates reduced by 75 bp in 2025
- Inflation in 2.5 - 2.7% 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

- US market in 2025 focused on possible AI spending bubble and world wide tariff negotiations but moved to all time highs by year end with strong economy / earnings
- Canadian market performed well with two sectors – financials and metals, especially gold – accounting for most of the return
- Geopolitical events may be the new concern for 2026 with the recent US action in Venezuela to control oil reserves and overt threats to Greenland; volatility is expected in markets prior to 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; gold will benefit
- Focusing on Canadian dividend paying equities, Canadian gold companies, US growth equities and Canadian corporate bonds