CIBC PRIVATE WEALTH

INVESTMENT STRATEGY GROUP

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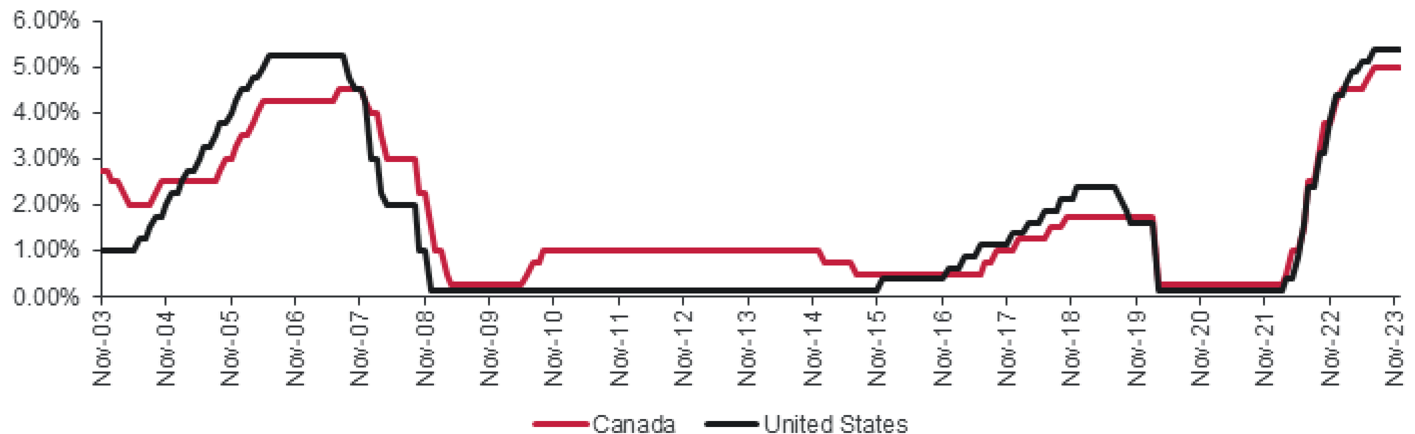
Complete research on any equities mentioned in this report is available from your Investment Advisor.

Revisiting Rate Sensitives

The battle against inflation and the resulting spike in interest rates was undoubtedly the key driver for markets since early 2022. The strain of higher interest rates has effectively cooled inflation and the focus for 2024 has shifted to softening economic growth and a reversal in interest rates. For Canada, economic growth has already started to slow and the risks are elevated relative to the U.S. given higher levels of consumer debt. Current restrictive policy rates are no longer needed and economists are now contemplating when the Bank of Canada (BoC) will start cutting interest rates to support consumers and businesses. CIBC Economics is currently forecasting the first BoC rate cut by June 2024 and a total of 150 basis points (bps) of cuts this calendar year.

Central Bank Target Overnight Interest Rates - Canada and the U.S.



Source: FactSet

The market narrative has shifted and it is a good time to ask what lies ahead for investors if we assume peak interest rates are in the rear view mirror. The rise in interest rates was a significant headwind for equity markets in 2022 and 2023, but some sectors felt the pain more than others. We highlight a handful of interest rate sensitive sectors (such as utilities, communication services and real estate) where changes in interest rates had an outsized impact on returns. Looking at the two-year period of 2022 and 2023 in aggregate, where rising rates dominated the investor psyche, the S&P/TSX Composite Index (TSX) posted a cumulative price return of -1.2%. Real estate (-22.1%), utilities (-17.7%) and communication services (-15.6%) were among the worst performing sectors over this period and weighed on index returns.

Understanding the Impact on Equities

Competition for yield and higher financing costs are a couple of factors that have weighed on interest rate sensitive stocks. Higher government bond yields create more competition for yield-seeking investors. When short-term government bonds or high interest savings accounts offer yields of 4%-5%, (as is currently the case) other riskier investment vehicles such as corporate bonds or equities need to reprice to attract investors. Certain groups of dividend paying stocks sometimes get referred to as bond proxies. Mature industry dynamics and limited growth opportunities mean these companies pay out a large portion of earnings as dividends. Higher interest rates saw investors shift away from these bond proxies in 2022 and 2023, which resulted in falling stock prices and rising dividend yields. Lower interest rates will enhance their relative appeal and we could see a rotation back towards them as 2024 progresses.

Almost all corporations use debt financing to some extent to fund their business and invest in growth projects. Interest rate costs are an expense on a company's income statement, so higher rates will pressure earnings if the debt has a variable interest rate or upon renewal of maturing fixed rate debt. Higher interest rates have disproportionately impacted certain companies in recent years, particularly those with large debt loads and those with high amounts of variable rate debt. Cost-cutting plans can help offset some of the pain, but lower interest rates will be a welcome relief going forward.

Communication Services

Yield competition has been a big driver of the underperformance of the Canadian communication services sector. Canadian telecommunications stocks generally offer nice dividend yields and the prospect of reliable, steady dividend growth —underpinned by growth in earnings. Competition and regulatory headwinds have also weighed on the sector, but should be less of a concern going forward. Regulatory pressures have eased and competitive pricing pressures will ebb and flow, but rapid population growth in Canada will support revenue growth through higher volumes. Wireless and wireline services are utility-like essential services for Canadians and should remain resilient in a slowing economy.

Utilities

Regulated utility stocks fall more into the bond proxy category, but these stocks have benefitted from their defensive characteristics and steady growth profiles. A handful of the regulated utility sub-sector suffered from higher debt levels and rising financing costs and have subsequently had to prioritize balance sheet optimization including selling assets to pay down debt. Declining interest rates and slowing economic growth provide for a good setup for regulated utility stocks in the short term. Continued investment in aging electricity transmission grids and connecting new renewable power sources to the grid is supportive for steady earnings and dividends growth in the medium term.

Renewable power producers, within the utilities sector, have seen significant volatility in recent years. Declining interest rates and a clamour for "green" investments saw the sector rally sharply in 2020 and 2021. However, a reversal in interest rates and sector-specific challenges saw the sector sell off significantly. These companies are generally in the business of developing new projects (such as wind or solar projects) that have high upfront costs, and debt financing is generally used for a large portion of the funding. Interest payments can be particularly burdensome in the short term before an asset starts earning revenue. In some cases, these additional interest costs compressed prospective return spreads to such an extent that projects became unviable. Stable declining interest rates in 2024 would help alleviate investor concerns and allow for growth to resume, likely at a more measured pace for the sector. Other factors such as supply chain challenges and regulatory uncertainty have weighed on the sector and will need to be resolved. The long term growth opportunity for these companies is significant given the push for decarbonization and increased electricity demand.

Real Estate

Real estate investment trusts (REITs) are among the most rate-sensitive stocks in the TSX. REITs are required to payout a high portion of their earnings to gain certain tax advantages. Therefore, dividends are a huge driver of total returns. Also, the sector uses significant amounts of debt, so rising financing costs impact the value of existing assets and future profits on development projects. Many real estate companies also rely on asset recycling (i.e. selling stabilized assets to fund new development) and the trend of rising interest rates and general uncertainty significantly reduced transaction activity. Lower rates should have multiple benefits for REITs, but real estate is also an economically sensitive asset class and a slowing economy may cause near-term headwinds for certain sub-sectors within real estate. Investors should be selective and focus on strong companies with higher quality real estate assets.

The Bottom Line

Businesses and consumers can generally adapt to higher or lower rates over time. In the near term, the pace of rate hikes caught many off guard and resulted in headwinds for companies and investors. Companies that took on too much debt with the expectation that rates would stay low indefinitely had a rude awakening and had to adjust to the high interest rates and their large debt loads.

Absent a refueling of inflation, the BoC is expected to start cutting rates in the coming quarters. Interest rates are unlikely to return to the lows of 2020 and 2021, but the near-term peak is likely behind us and the pathway for interest rates is likely biased downwards. In this context, we're generally much more constructive on interest rate sensitive stocks. In particular, we point to the communication services sector where attractive dividend yields provide for good baseline returns. More reasonable valuation levels for renewable power

producers make them increasingly attractive and the structural tailwind of decarbonization supports robust growth outlooks over the medium-to-long term. In the short term, lower interest rates don't hurt!

ANDREW O'BRIEN, CFA

Cash May Not Be King in 2024

High inflation and rising rates have led to a couple of turbulent years that challenged portfolios. But, inflation is on a downward trend, leaving behind the multi-decade highs of 2022 in the rearview mirror. While there could be upside surprises due to various factors such as geopolitical events and commodity shocks, etc., the downward trend should continue throughout the year. Nearly every major global central bank has stopped hiking rates and is currently waiting to determine if the current tightening is restrictive enough to bring inflation down to its 2% goal.

Central banks continue to monitor inflation and growth as monetary policy takes effect (after its typical lag), intending to not over-restrict the economy by keeping interest rates unusually high in the face of slowing growth and inflation. Should this slowdown in economic activity occur, fixed income is expected to provide attractive returns and portfolio resiliency, whereas equities are challenged and might face an overall lower return. The conventional behaviour (meaning bonds tend to do well when equities struggle, and vice versa) of stocks and bonds that broke down in 2022, returned in 2023 as inflation dropped and is poised to even strengthen this year. At today's starting yields, fixed income is very attractive from a total return perspective and can help add stability to portfolios during a downturn.

In the past couple of years, cash products such as High Interest Savings Accounts (HISAs) have provided a very attractive yield while shielding investors from the volatility of fixed income and equity markets. However, with lower rates potentially ahead, HISA yields will follow suit and cash-like products will earn less. HISAs do not provide the total return or the defensive protection of fixed income and yields could evaporate as central banks start to cut interest rates.

Fixed Income: An Attractive Opportunity

As discussed earlier, the inverse relationship between stocks and bonds helps provide portfolio resilience as equities become challenged due to slowing growth. Fixed income remains an attractive asset class when looked at from the lens of resilience, diversification and valuation.

If inflation remains sticky or spikes again, bond yields would likely rise. and the equity and risk assets rally that has occurred could be impacted even further, where fixed income would help provide portfolio stability. The starting level of bond yields available today would help cushion fixed income returns if yields spike in an unexpected scenario. While cash rates today are more attractive than they've been in a long time, it's crucial to lock in yields for longer periods and provide ballast to portfolios. Duration in general (through longer term bonds) has significant potential to outperform cash at this late stage of the monetary cycle.

Uncertainty the respect to the economic outlook and the path of inflation will also remain high. This is why using an active approach to managing your fixed income exposure will remain key for well-balanced investment portfolios. Agility will be important and active managers who are flexible in adapting their exposures with asset class, sectors and individual securities will be better positioned to deliver outperformance in 2024.

A Word on Discount Bonds

Rate increases since 2022 have created an attractive opportunity for investors to take advantage of strong, tax-efficient (capital gains) potential future returns from high-quality corporate bonds currently trading at a steep discount to par. As we approach the end of the current interest rate tightening cycle along with the possibility of rate cuts this year, discount bonds are an attractive asset class to take advantage of and lock in current higher yields on bonds trading at discounted prices.

Remain Cautious on Credit Spreads

The path for credit spreads (spreads are the difference in yield between corporate bonds and government bonds of the same maturity) in 2024 will be determined by the macroeconomic backdrop. 2023 saw credit spreads tighten (good for corporate bonds) throughout the year after the banking crisis that happened in March 2023. This tightening led to impressive returns for corporate bonds last year. At the moment, it's important to remain defensive and position allocation towards higher-rated corporate bonds credits in less cyclical sectors as the higher-for-longer monetary policy stance continues to play out. In the meantime, portfolios invested in corporate bonds continue to earn attractive yields — even with a defensive stance.

A potential slowdown in economic activity and growth due to the lagged effects of monetary policy would cause credit spreads to widen. This widening would present a better opportunity for active fixed income managers to take advantage of market dislocations (add credit risk at potentially wider spreads) by investing in corporate credit instead of government bonds. If inflation continues to abate and in an effort to not over-restrict the economy, interest rate cuts from central banks would be a tailwind for credit spreads as economic conditions improve.

The Bottom Line

While cash yields might look attractive at the moment, potential expected rate cuts in 2024 could lead to diminishing returns. It's crucial to lock in these attractive fixed income yields that have not been available for a long time and add portfolio diversification and resilience if an economic slowdown happens. Active fixed income managers are well positioned to navigate the current economic environment while constantly looking for opportunities to improve the yield and the risk-adjusted total return potential of their portfolios. Please reach out to your CIBC Wood Gundy Advisor to discuss if a fixed income allocation is appropriate for your investment portfolio.

SID SANTDASANI

Market Return Data

All data is sourced from Bloomberg unless otherwise noted. Data as of January 31, 2024.

North American indices – Price performance (% Change)

North America indices	Price	1 Month	3 Months	6 Months	YTD
S&P/TSX Composite	21,022	0.3%	11.4%	1.9%	0.3%
S&P/TSX Composite – Total Return	84,500	0.6%	12.3%	3.6%	0.6%
S&P 500 Index	4,846	1.6%	15.5%	5.6%	1.6%
S&P 500 Index – Total Return	10,501	1.7%	16.0%	6.4%	1.7%
Dow Jones Industrial Average	38,150	1.2%	15.4%	7.3%	1.2%
Dow Jones Industrial Average – Total Return	93,844	1.3%	16.0%	8.4%	1.3%
Nasdaq Composite Index	15,164	1.0%	18.0%	5.7%	1.0%

North American indices – Price performance (% Change - Annualized)

North America indices	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	1.2%	-0.2%	6.6%	6.2%	4.4%	6.1%	4.6%
S&P/TSX Composite – Total Return	4.6%	3.1%	9.9%	9.6%	7.6%	9.3%	7.6%
S&P 500 Index	18.9%	3.6%	9.3%	12.4%	10.5%	12.5%	7.5%
S&P 500 Index – Total Return	20.8%	5.3%	11.0%	14.3%	12.6%	14.8%	9.7%
Dow Jones Industrial Average	11.9%	4.2%	8.4%	8.8%	9.3%	11.0%	6.7%
Dow Jones Industrial Average – Total Return	14.4%	6.4%	10.6%	11.2%	11.8%	13.7%	9.3%
Nasdaq Composite Index	30.9%	3.2%	5.1%	15.8%	14.0%	16.8%	10.5%

International indices – Price performance (% Change)

International indices	Price	1 Month	3 Months	6 Months	YTD
Bloomberg Euro 500	311	1.3%	11.3%	2.1%	1.3%
FTSE Eurotop 100	3,835	2.3%	11.1%	3.7%	2.3%
FTSE 100 (England)	7,631	-1.3%	4.2%	-0.9%	-1.3%
Dax (Germany)	16,904	0.9%	14.1%	2.8%	0.9%
CAC 40 (France)	7,657	1.5%	11.2%	2.1%	1.5%
MSCI World	3,205	1.1%	15.8%	4.6%	1.1%
MSCI Emerging Markets	976	-4.7%	6.6%	-6.8%	-4.7%
MSCI Emerging Markets – Total Return	2,518	-4.6%	7.1%	-5.9%	-4.6%
MSCI EAFE	2,248	0.5%	15.4%	2.2%	0.5%
MSCI EAFE – Total Return	10,755	0.6%	15.8%	3.3%	0.6%
Nikkei 225 (Japan)	36,287	8.4%	17.6%	9.4%	8.4%
Hang Seng (Hong Kong)	15,485	-9.2%	-9.5%	-22.9%	-9.2%
ASX 200 (Australia)	7,681	1.2%	13.3%	3.6%	1.2%
Taiwan Weighted	17,890	-0.2%	11.8%	4.3%	-0.2%
Sensex 30 (India)	71,752	-0.7%	12.3%	7.9%	-0.7%

International indices – Price performance (% Change - Annualized)

International indices	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Euro 500	5.4%	0.6%	5.8%	5.2%	3.5%	5.6%	3.0%
FTSE Eurotop 100	8.8%	4.7%	10.4%	7.1%	3.9%	5.5%	2.9%
FTSE 100 (England)	-1.8%	1.1%	6.0%	1.8%	1.6%	4.1%	2.8%
Dax (Germany)	11.7%	4.5%	8.0%	8.6%	6.1%	9.5%	7.4%
CAC 40 (France)	8.1%	4.6%	12.3%	8.9%	6.3%	6.5%	3.8%
MSCI World	15.1%	2.4%	6.4%	9.6%	7.2%	9.3%	5.7%
MSCI Emerging Markets	-5.4%	-10.1%	-9.8%	-1.5%	0.4%	4.2%	3.9%
MSCI Emerging Markets – Total Return	-2.5%	-7.3%	-7.1%	1.4%	3.2%	7.1%	6.8%
MSCI EAFE	7.0%	0.6%	1.9%	4.2%	2.0%	4.8%	2.8%
MSCI EAFE – Total Return	10.6%	3.9%	5.1%	7.4%	5.3%	8.2%	6.0%
Nikkei 225 (Japan)	32.8%	15.9%	9.5%	11.8%	9.3%	10.6%	6.3%
Hang Seng (Hong Kong)	-29.1%	-19.3%	-18.2%	-11.1%	-3.5%	1.0%	0.8%
ASX 200 (Australia)	2.7%	5.0%	5.1%	5.5%	4.0%	5.3%	4.4%
Taiwan Weighted	17.2%	0.6%	5.7%	12.5%	7.8%	10.1%	5.3%
Sensex 30 (India)	20.5%	11.2%	15.7%	14.6%	13.3%	14.5%	13.5%

Index returns in Canadian dollars – Price performance (% Change)

Index returns in Canadian dollars	Price	1 Month	3 Months	6 Months	YTD
S&P/TSX Composite	21,022	0.3%	11.4%	1.9%	0.3%
S&P/TSX Composite - Total Return	84,500	0.6%	12.3%	3.6%	0.6%
S&P 500 Index	6,490	3.0%	11.5%	7.4%	3.0%
S&P 500 Index - Total Return	14,064	3.1%	11.9%	8.3%	3.1%
Dow Jones Industrial Average	51,095	2.6%	11.4%	9.1%	2.6%
Dow Jones Industrial Average - Total Return	125,686	2.7%	12.0%	10.3%	2.7%
Russell 2000	2,608	-2.6%	13.0%	-1.1%	-2.6%
Nasdaq Composite Index	20,309	2.4%	13.9%	7.5%	2.4%
Bloomberg Euro 500	452	0.7%	10.2%	2.4%	0.7%
EURO STOXX 50	6,755	2.2%	13.3%	4.3%	2.2%
EURO STOXX 50 -Total Return	15,705	2.4%	13.6%	4.7%	2.4%
MSCI World	4,293	2.6%	11.7%	6.4%	2.6%
MSCI Emerging Markets	1,307	-3.3%	2.9%	-5.2%	-3.3%
MSCI Emerging Markets -Total Return	3,373	-3.3%	3.3%	-4.2%	-3.3%
MSCI EAFE	3,011	2.0%	11.4%	4.0%	2.0%
MSCI EAFE - Total Return	14,404	2.0%	11.7%	5.1%	2.0%
MSCI Far East	5,125	4.4%	11.5%	5.3%	4.4%

Index returns in Canadian dollars – Price performance (% Change - Annualized)

Index returns in Canadian dollars	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	1.2%	-0.2%	6.6%	6.2%	4.4%	6.1%	4.6%
S&P/TSX Composite - Total Return	4.6%	3.1%	9.9%	9.6%	7.6%	9.3%	7.6%
S&P 500 Index	19.5%	6.4%	10.9%	12.8%	12.6%	13.1%	7.6%
S&P 500 Index - Total Return	21.5%	8.1%	12.7%	14.7%	14.7%	15.4%	9.7%
Dow Jones Industrial Average	12.5%	7.0%	10.0%	9.2%	11.3%	11.6%	6.7%
Dow Jones Industrial Average - Total Return	15.0%	9.3%	12.3%	11.6%	13.9%	14.3%	9.3%
Russell 2000	1.3%	0.6%	-0.6%	5.8%	7.6%	11.0%	6.3%
Nasdaq Composite Index	31.6%	6.0%	6.7%	16.2%	16.1%	17.4%	10.5%
Bloomberg Euro 500	5.8%	1.6%	3.4%	4.5%	3.2%	5.0%	2.3%
EURO STOXX 50	12.1%	6.6%	7.7%	7.3%	4.1%	4.4%	1.8%
EURO STOXX 50 -Total Return	14.9%	9.3%	10.2%	9.8%	6.7%	7.3%	4.7%
MSCI World	15.7%	5.1%	8.0%	10.0%	9.2%	9.9%	5.8%
MSCI Emerging Markets	-4.9%	-7.7%	-8.4%	-1.1%	2.3%	4.7%	3.9%
MSCI Emerging Markets -Total Return	-2.0%	-4.7%	-5.7%	1.8%	5.2%	7.6%	6.8%
MSCI EAFE	7.6%	3.3%	3.5%	4.6%	4.0%	5.4%	2.8%
MSCI EAFE - Total Return	11.2%	6.7%	6.7%	7.8%	7.3%	8.8%	6.1%
MSCI Far East	10.1%	2.9%	0.1%	3.0%	4.9%	4.9%	2.8%

Commodities – (% Change)

Commodities	Price	1 Month	3 Months	6 Months	1 Year	YTD
Gold Spot (US$/oz)	2,039.52	-1.1%	2.8%	3.8%	5.8%	-1.1%
Silver (US$/oz)	22.96	-3.5%	0.5%	-7.2%	-3.3%	-3.5%
Brent Crude Oil	81.71	6.1%	-6.5%	-4.5%	-3.3%	6.1%
West Texas Intermediate Oil	75.85	5.9%	-6.4%	-7.3%	-3.8%	5.9%
NYMEX Natural Gas	2.10	-16.5%	-41.3%	-20.3%	-21.8%	-16.5%
Spot Nat. Gas (AECO Hub - USD)	1.43	10.0%	-28.9%	-25.9%	-39.1%	10.0%
Lumber	561.50	-1.9%	9.1%	3.0%	-17.0%	-1.9%
Copper 3-month	3.90	0.6%	6.1%	-2.5%	-6.7%	0.6%
Nickel 3-month	7.38	-2.0%	-10.3%	-27.0%	-46.4%	-2.0%
Aluminum 3-month	1.03	-4.4%	1.3%	-0.1%	-13.8%	-4.4%
Zinc 3-month	1.15	-4.9%	4.0%	-1.5%	-25.4%	-4.9%

Currencies – (% Change)

Currencies	Price	1 Month	3 Months	6 Months	1 Year	YTD
CAD/USD	0.7443	-1.4%	3.3%	-1.8%	-1.0%	-1.4%
EURO/CAD	1.4533	-0.6%	-0.9%	0.2%	0.6%	-0.6%
EURO/USD	1.0818	-2.0%	2.3%	-1.6%	-0.4%	-2.0%
USD/YEN	146.9200	4.2%	-3.1%	3.3%	12.9%	4.2%
U.S. Dollar Index	103.2740	1.9%	-3.2%	1.4%	1.2%	1.9%

Bond returns – Total return (% Change)

Bond Index	1 Month	3 Months	6 Months	1 Year	YTD
FTSE Canada Bond Universe Index	-1.4%	6.4%	3.8%	2.1%	-1.4%
FTSE Canada Long Term Bond Index	-3.3%	11.4%	3.2%	0.4%	-3.3%
FTSE Canada Mid Term Bond Index	-1.2%	6.6%	4.1%	1.5%	-1.2%
FTSE Canada Short Term Bond Index	-0.2%	3.1%	3.9%	3.4%	-0.2%

Government Yields

Government Notes	Yield	1 Month	3 Months	6 Months	1 Year
Canada 3-month T-Bills	4.99%	5.04%	5.05%	5.01%	4.36%
Canada 5yr Notes	3.40%	3.18%	4.13%	3.90%	3.03%
Canada 10yr Notes	3.32%	3.11%	4.06%	3.50%	2.92%
Canada 30yr Bonds	3.26%	3.03%	3.86%	3.31%	2.98%
U.S. 3-month T-Bills	5.36%	5.33%	5.46%	5.40%	4.64%
U.S. 5yr Notes	3.84%	3.85%	4.85%	4.18%	3.62%
U.S. 10yr Notes	3.91%	3.88%	4.93%	3.96%	3.51%
U.S. 30yr Bonds	4.17%	4.03%	5.09%	4.01%	3.63%

S&P/TSX GICS sectors – Price performance (% Change)

S&P/TSX GICS Sectors	1 Month	3 Months	6 Months	1 Year	YTD	Index Weight (%)
Consumer Discretionary	1.2%	10.3%	-0.8%	3.3%	1.2%	3.6%
Consumer Staples	1.9%	5.8%	10.5%	10.5%	1.9%	4.2%
Energy	1.6%	-0.9%	3.6%	-1.7%	1.6%	17.3%
Energy - Integrated Oil & Gas	2.7%	-6.5%	0.9%	-7.1%	2.7%	3.3%
Energy - Oil & Gas Exploration & Production	-0.8%	-9.1%	-1.5%	0.5%	-0.8%	6.0%
Energy - Pipeline	1.1%	8.2%	3.7%	-9.0%	1.1%	6.4%
Financials	-1.0%	17.0%	3.1%	0.1%	-1.0%	30.9%
Financials - Banks	-3.0%	14.9%	-1.3%	-6.4%	-3.0%	19.9%
Financials - Insurance	1.8%	16.9%	6.7%	10.5%	1.8%	4.6%
Real Estate	0.1%	17.0%	0.5%	-6.8%	0.1%	2.4%
Health Care	-4.1%	11.5%	-8.6%	-3.1%	-4.1%	0.3%
Industrials	2.1%	13.3%	3.7%	8.9%	2.1%	13.9%
Information Technology	6.7%	41.0%	20.0%	50.8%	6.7%	9.2%
Materials	-6.3%	-0.9%	-14.5%	-18.1%	-6.3%	10.3%
Materials - Gold	-7.0%	-3.2%	-8.2%	-13.2%	-7.0%	5.9%
Materials - Base Metals	-2.2%	13.4%	-10.0%	-8.4%	-2.2%	1.3%
Materials - Fertilizers	-10.2%	-10.0%	-26.2%	-39.1%	-10.2%	1.1%
Communication Services	2.8%	9.7%	0.2%	-11.4%	2.8%	3.8%
Utilities	-1.5%	10.4%	-7.2%	-8.8%	-1.5%	3.9%

Strategic asset allocation[1] (in C$) - Performance (% Change - Before Fees)

Strategic Asset Allocation (in C$)	1 Month	3 Months	6 Months	1 Year	YTD
Capital Preservation	-0.5%	6.5%	3.6%	3.9%	-0.5%
Income	-0.5%	7.8%	3.8%	4.5%	-0.5%
Income & Growth	0.0%	10.1%	4.1%	7.0%	0.0%
Growth	0.3%	11.9%	4.4%	9.2%	0.3%
Aggressive Growth	0.8%	14.1%	4.8%	12.1%	0.8%

CIBC World Markets Interest Rate Outlook

Interest Rates (%) – End of Qtr	31-Jan-24	Mar-24	Jun-24
Canada 3-month T-Bill	4.99%	5.05%	4.60%
U.S. 3-month T-Bill	5.36%	5.30%	5.45%
Canada 10-year Gov't Bond Yield	3.32%	3.45%	3.30%
U.S. 10-year Gov't Bond Yield	3.91%	4.25%	4.15%
US$ / C$	0.74	0.72	0.73

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic Outlook	2024F	2025F
Canada Real GDP Growth (% Chg)	0.6%	2.0%
U.S. Real GDP Growth (% Chg)	1.8%	1.9%
Canada Consumer Price Index (% Chg)	2.4%	1.9%
U.S. Consumer Price Index (% Chg)	2.5%	2.4%
Canada Unemployment Rate (%)	6.2%	5.7%
U.S. Unemployment Rate (%)	4.1%	3.9%

Source: CIBC World Markets Inc.

[1] Refer to the Strategic asset allocation in Appendix 1

Appendix 1: Strategic Asset Allocation

Capital Preservation: 5% Global Equity, 15% Canadian Equity, 55% Bonds, 25% Cash

Income: 10% Global Equity, 20% Canadian Equity, 55% Bonds, 15% Cash

Income & Growth: 25% Global Equity, 30% Canadian Equity, 35% Bonds, 10% Cash

Growth: 40% Global Equity, 30% Canadian Equity, 25% Bonds, 5% Cash

Aggressive Growth: 60% Global Equity, 30% Canadian Equity, 10% Bonds, 0% Cash

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