



# ECONOMIC OUTLOOK



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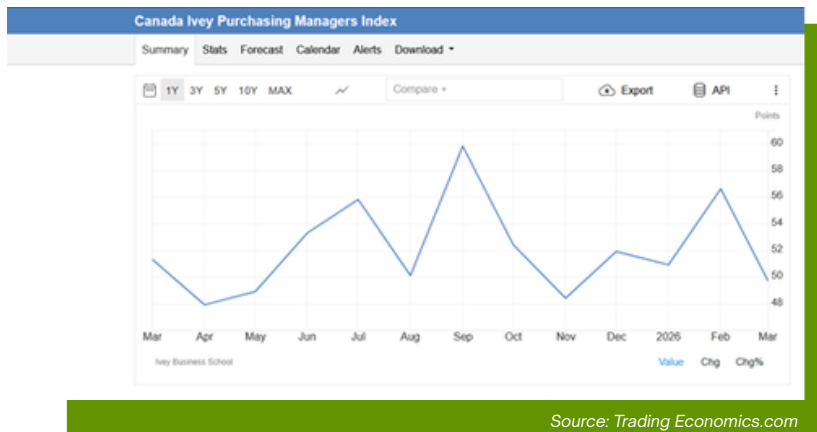
**ACHIEVING OUR FINANCIAL GOALS IS NEVER** as picturesque as advertised sometimes. Financial performance is never a straight line and capital protection is as critical in all market conditions as investment returns. Recently we've witnessed dramatic swings in the Dow Jones Industrial Index of 1000 pts or more intra-day followed by small incremental movements re-tracing the shock in a pattern much like taking an **elevator quickly down and then an escalator gradually back up.**

Oil/Barrel Price (WTI)

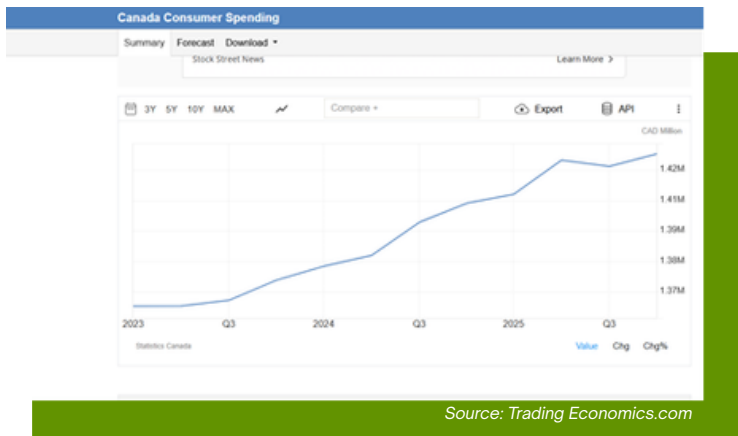


Source: Thomson Reuters

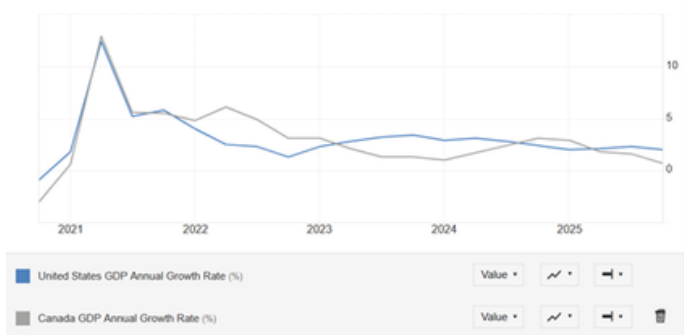
**THE UNCERTAINTY OF WHETHER AN EVENT IS SHORT LIVED OR LONGER MAKES PLANNING OUR PERSONAL AND BUSINESS LIVES** challenging as is reflected in the erratic trends in consumer confidence and business outlook.



**NONETHELESS LIFE GOES ON AND MONEY MOVES.** This points to core economic momentum which continues to find its course through the swings. While inflation tends to overstate the value of spending, consumers continue to meet their needs which is helping economies remain modest but positive unlike during the Covid shock which caused GDP to be negative. A testament to the underlying strength of the global economy is the fact GDP remains positive despite a year of tariffs and geo-political wars.



**Canada vs U.S. Annual GDP Growth Rate**



# DESPITE THE ELEVATOR RIDES DOWN THE ESCALATORS CONTINUE TO TAKE US TO THE SUMMIT

Dow Jones Index Jan 2020 to date:



## WHAT ARE SOME OF THE CHALLENGES TO GROWTH AT THIS TIME?

- A delay in the supply chain flow due to geo-political tensions which have caused a disruption in oil energy supplies
- Stubborn inflation caused by tariffs and war time energy pricing preventing interest rates from declining
- An excessive amount of investment capital continuing to be directed to non-core sectors such as tech - AI

**CHANGE IS A CONSTANT** in the global economy, financial markets and our lives. Tech, gold, crypto currency and other speculative sectors are a 2025 story and continue to lag with values remaining below their previous highs. Instead, some less recognized and promoted sectors have held their values more reliably with less volatility than the general market experience. Again, they continue to satisfy mainstream economic activities including utilities for energy and financials. However, other areas of commerce are creating growth and opportunity for companies that aren't as high profile but which provide recurring support to macro commerce. These include areas such as:

- Industrials: chemical and specialty materials
- Infrastructure such as data centers, communication and utility corridors
- Basic consumer goods
- Healthcare serving an aging population
- The continued expansion of renewable energy sources around the world excepting in the U.S.  
(see attached report)

**TO ENSURE WE BENEFIT THROUGH THE CURRENT ENVIRONMENT** we should be:

- Continuing to maintain a balanced portfolio composition by asset class because of the variability in their performances. This helps to offset volatility and preserve market value gains while supplementing with alternative forms of return including income and tax efficiency.
- Ensuring liquidity and cash reserves to help offset volatility AND systematically take advantage of opportunities for growth as they emerge.

## **POST NOTE:**

Real estate remains a significant component of the Canadian economy which continues to lag due in part to still unaffordable interest rate levels and a supply-demand imbalance. While demand remains high, there continues to be a mismatch with the available inventory versus need and affordability. Further correction on both sides of the equation is necessary. However, this adjustment is occurring which we could expect will recover like an escalator ultimately creating reliable non-speculative intrinsic value again.

## ***Regards***

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