Perspectives Executive Summary

For the 12-month period beginning July 1, 2016

BREXIT AND BEYOND

- The political and economic implications of the U.K. exit from the European Union are difficult to assess. What we do know—there are more uncertainties and risks today than if the *Remain* vote had won.
- Increased uncertainty and market volatility are the last things the fragile global economy needs when the cyclical outlook is not improving.
- Slower global growth seems inevitable for many reasons including: the need to slow credit growth in China, increasing pressure on the profitability of European banks and a profit recession in the U.S.

CIBC Asset Management

Equities versus Fixed Income

- We are adopting a more neutral stance between equity and fixed income for the time being to reflect the various global economic and political uncertainties.
- We have increased our Canadian bond outlook from neutral to moderate overweight.

Loonie and Greenback

- The Canadian dollar is expected to start losing steam and give up some of its recent gains against the U.S. dollar.
- Heightened U.S. dollar volatility is most likely here to stay. However, in relation to currencies with safe-haven features like the euro and the Japanese yen, the U.S. dollar's cyclical peak has probably already occurred.

Regional Markets

- **U.S.**: A deeper downturn in investment spending, weakening consumer fundamentals and slowing net exports are expected to slow U.S. economic growth.
- **Europe**: Eurozone banks are struggling as a result of ultra-low short-term interest rates, an extremely flat yield curve and very sluggish economic activity.
- **Emerging Markets**: A slowing global growth environment will likely generate lower-than-expected growth in trade and contribute negatively to Chinese GDP over the next year. Emerging market equities should provide better returns than most developed markets over the next year as they remain more attractively valued.
- **Canada**: If job creation and wage increases continue to slow, more difficult times lie ahead for highly-leveraged Canadian consumers.

Expected Returns

Expected returns for the 12-month period beginning July 1, 2016	In Canadian Dollars			In Local Currency		
	U.S. Renormalization	Policy Limits	Global Recession	U.S. Renormalization	Policy Limits	Global Recession
Probabilities	15.0%	65.0%	20.0%	15.0%	65.0%	20.0%
Canada Money Market	0.6%	0.5%	0.2%	0.6%	0.5%	0.2%
Canada Bond	-1.0%	1.4%	2.8%	-1.0%	1.4%	2.8%
Canada Federal Government Bond	-2.3%	0.4%	3.2%	-2.3%	0.4%	3.2%
Canada Corporate Bond	1.7%	2.4%	1.3%	1.7%	2.4%	1.3%
Canada Real Return Bonds	-1.7%	2.5%	9.3%	-1.7%	2.5%	9.3%
Canada High-Yield Bond	9.0%	4.0%	-8.3%	9.0%	4.0%	-8.3%
International Government Bond	-9.7%	2.3%	12.4%	-4.0%	-0.5%	0.7%
Canada Equity	10.7%	1.0%	-19.3%	10.7%	1.0%	-19.3%
United States Equity	2.9%	1.4%	-6.6%	6.9%	-1.7%	-16.4%
International Equity	6.2%	1.8%	-17.8%	10.9%	0.8%	-23.5%
Emerging Equity	15.8%	4.1%	-13.6%	16.0%	6.3%	-16.5%

Asset Allocation Outlook

Asset Class	Underweight		Neutral	Overweight	
	Significant	Moderate		Moderate	Significant
Equity Relative to Fixed Income			✓		
Fixed Income					
Canadian Money Market	✓				
Canadian Government Bond				✓	
Canadian Corporate Bond				✓	
International Government Bond		✓			
Equity					
Canadian Equity			✓		
U.S. Equity		✓			
International Equity (Developed Markets)				✓	
Emerging Markets				✓	
Currency (versus U.S. Dollar)					
Canadian Dollar		✓			
Euro		✓			
Japanese Yen				✓	
British Pound		✓			
Swiss Franc			✓		
Australian Dollar		✓			
Emerging Markets				✓	

For our complete economic views and forecasts, please request the full *Perspectives* report.