



PERSPECTIVES

For the 12-month period beginning October 1, 2020

"All the efforts deployed to jumpstart the global economy have produced a faster recovery than generally expected."

Recovery in the works

Lower interest rates and the prospect of an ongoing economic recovery are supporting higher equity markets. Some market sectors moved too far, too fast earlier in the year, but we see the September pullback as a consolidation after a sharp rally rather than the beginning of a market downturn.

Equity: Driven by strong performance in Asia, emerging equities have been the best performing global region, outperforming even the S&P 500.

Fixed Income: Developed market bonds offer little value, while emerging market bonds present better opportunities. We're focusing on select Asian bond markets and lower volatility markets like Chile and Poland.

Currencies: With the Fed policy rate near zero, a global economic recovery underway and the adoption of the new Average Inflation Targeting (AIT) framework, the U.S. dollar will likely come under increasing downside pressure.

China: Large infrastructure and monetary stimulus is boosting China's post-lockdown recovery—which should now be labelled an economic expansion. The Chinese economy is expected to grow at an above-consensus average pace of 10% over the next four quarters.

Multi-asset outlook

Asset class	Current September 30, 2020	Expected range: minimum next 12 months	Expected range: maximum next 12 months
Canada 3-month T-Bills rate	0.25%	0.25%	0.25%
Canada 2-year government bond yield	0.25%	0.20%	0.60%
Canada 10-year government bond yield	0.56%	0.40%	1.15%
U.S. 10-year government bond yield	0.68%	0.50%	1.25%
Germany 10-year government bond yield	-0.52%	-0.55%	0.30%
Japan 10-year government bond yield	0.01%	-0.25%	0.25%
Canada 10-year real-return government bond yield	-0.20%	-0.10%	0.15%
Canada investment grade corporate spreads	1.38%	1.05%	1.90%
U.S. high yield corporate spreads	5.58%	4.15%	7.25%
Emerging market sovereign (USD denominated) bond spreads	398	250	600
S&P/TSX price index	16,121	15,500	18,400
S&P 500 price index	3,363	3,150	3,750
Euro Stoxx 50 price index	3,194	3,000	3,650
Japan Topix price index	1,625	1,525	1,850
MSCI Emerging Markets	61,978	59,000	71,000
U.S. Dollar/Canadian Dollar	1.3319	1.2800	1.3900
Euro/U.S. Dollar	1.1721	1.1000	1.2000
U.S. Dollar/Japanese Yen	105.48	102.00	111.00
U.S. Dollar/Offshore Chinese Yuan	6.78	6.30	6.90
Gold	1,886	1,700	2,000
Oil price, WTI (West Texas Intermediate)	40.22	40.00	55.00

Source: Thomson Reuters Datastream, CIBC Asset Management Inc.

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