



Power your future: BE INVEST+ED

Market Outlook: There is Safety in Numbers

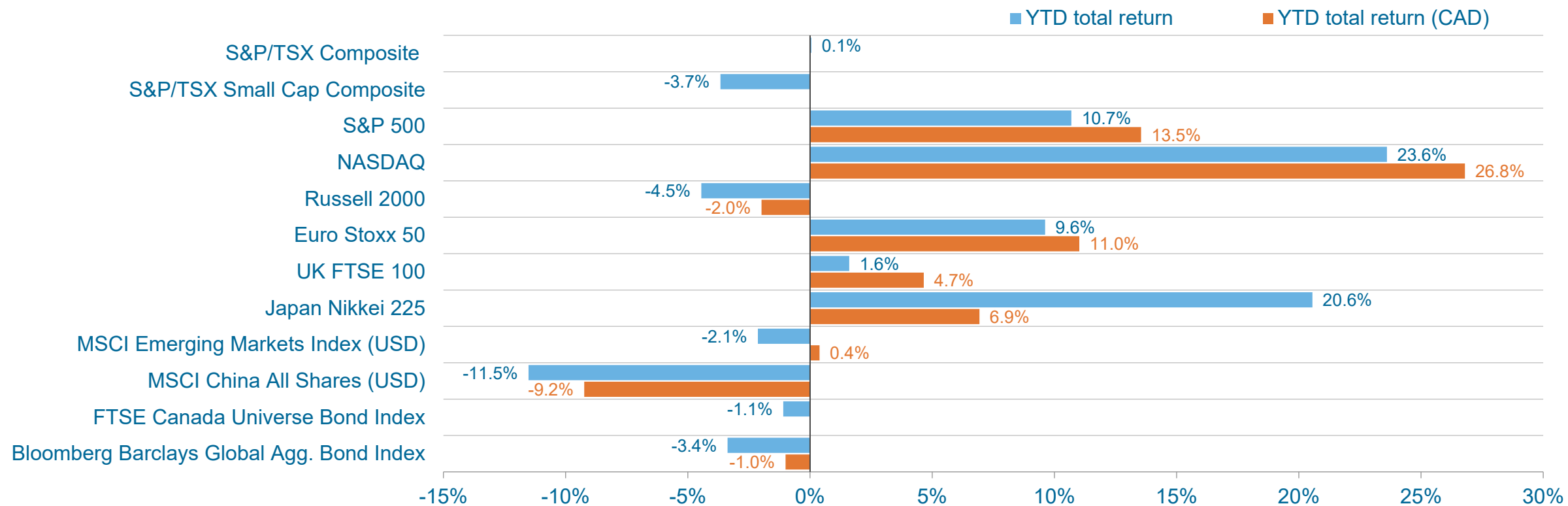
Lesley Marks, CFA

Chief Investment Officer - Equities



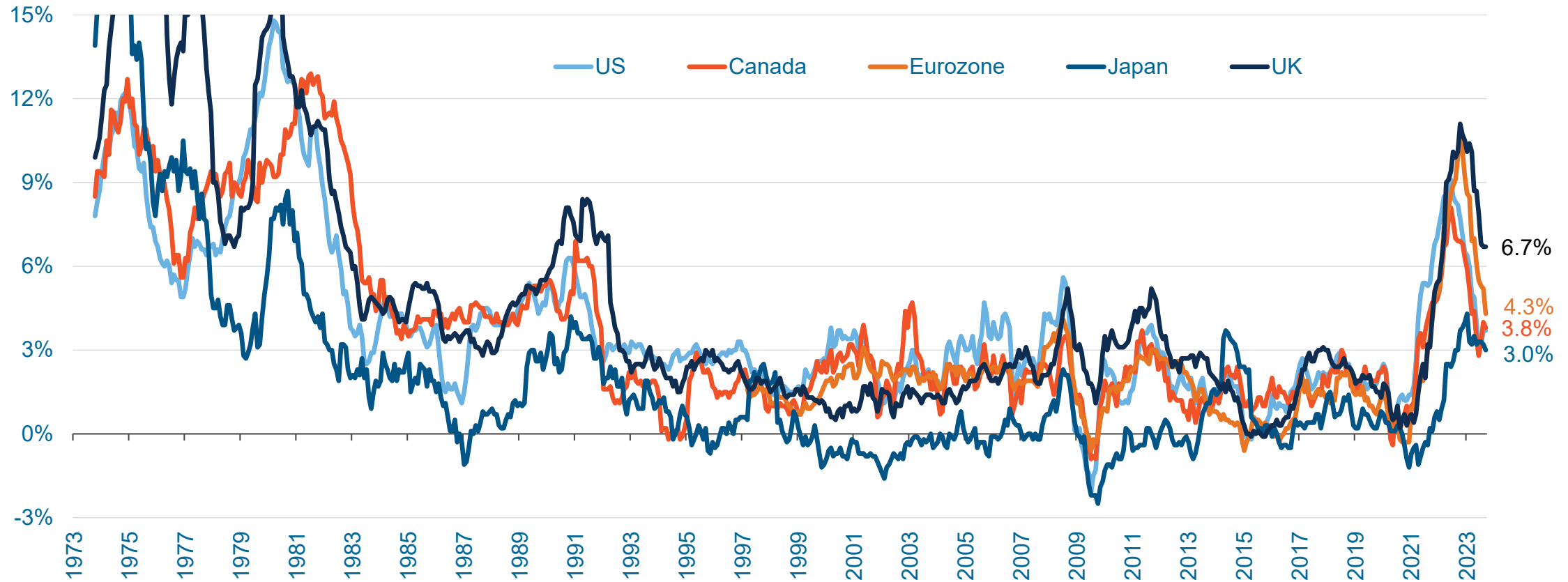
Equities lead the way

Capital markets YTD total returns



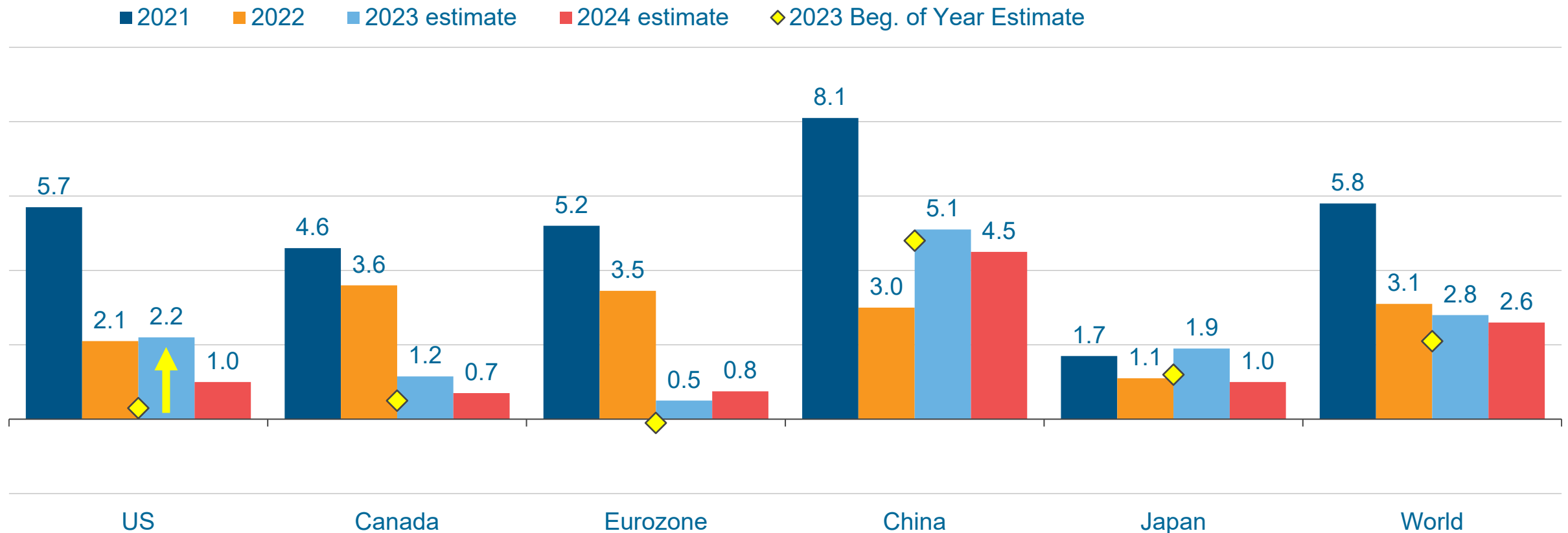
Progress in the fight against inflation

Global headline inflation rates (YoY %)



Defying the negative pull of interest rates

Consensus estimates real GDP growth (y/y % change)



Inflation and growth tug of war

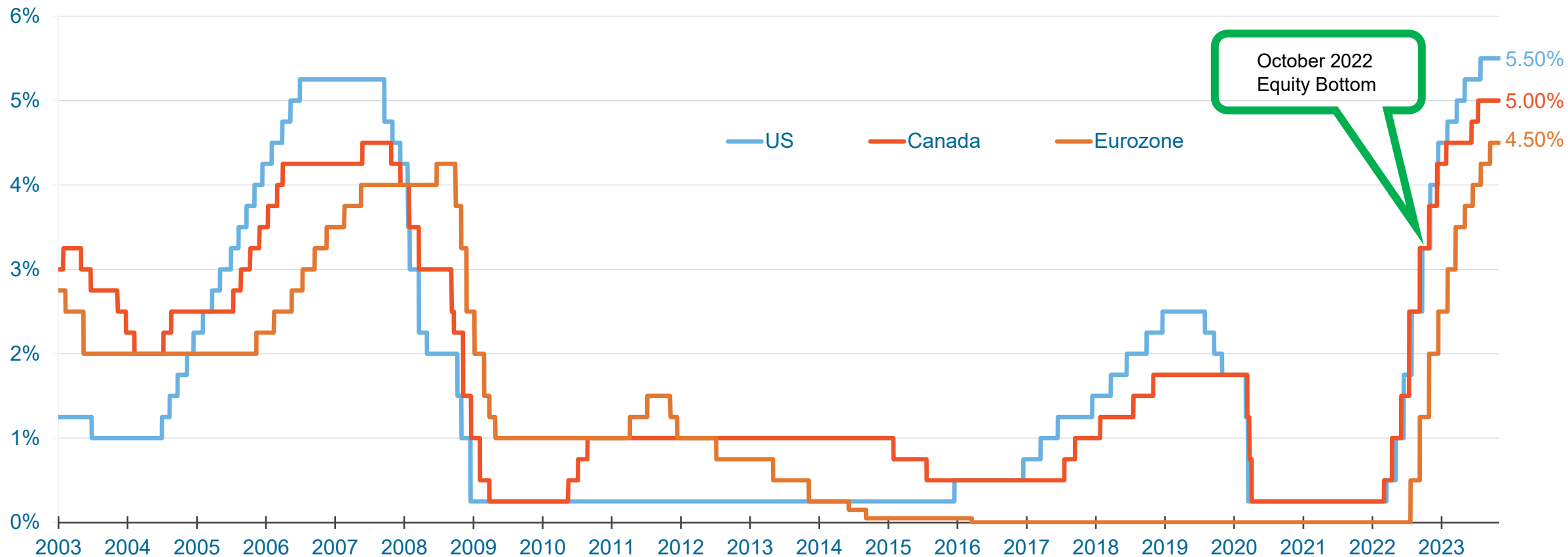


Base case scenario

- The year-to-date move higher in equities is unlikely to be sustained over the near term.
- The lagged effects of restrictive monetary policy are exerting growing pressure on the economy and, in turn earnings.
- Equities to underperform bonds over the next 6-12 months

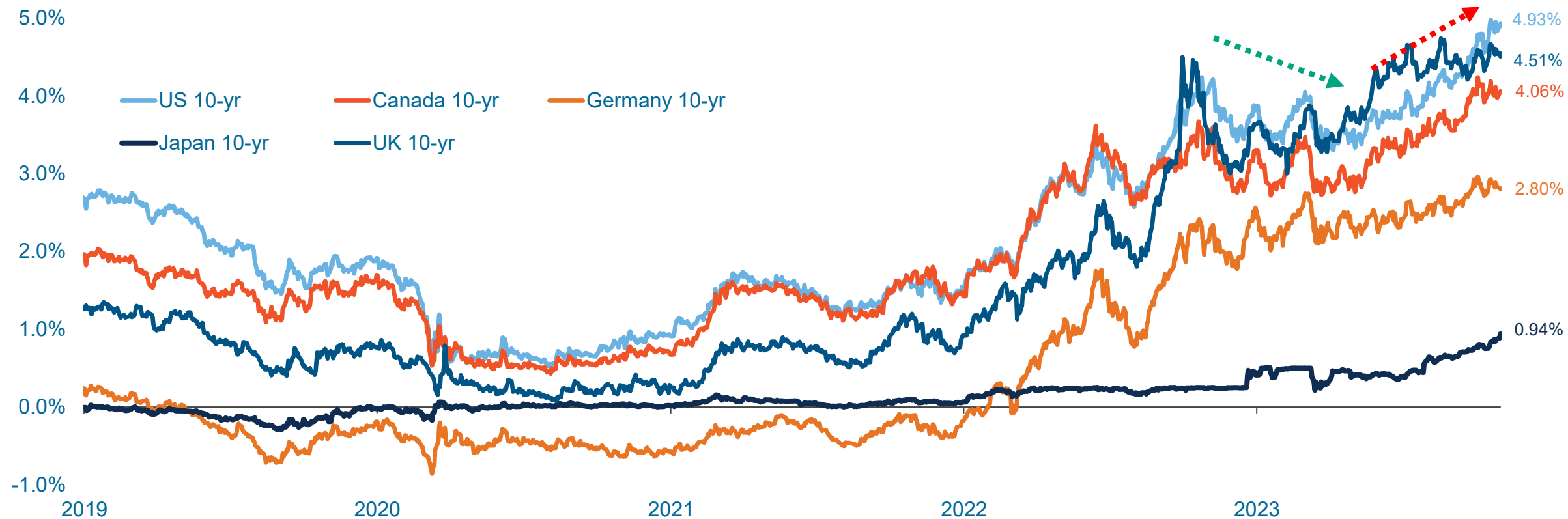
Rates will rise “until the job is done”

Global central bank overnight rates (%)



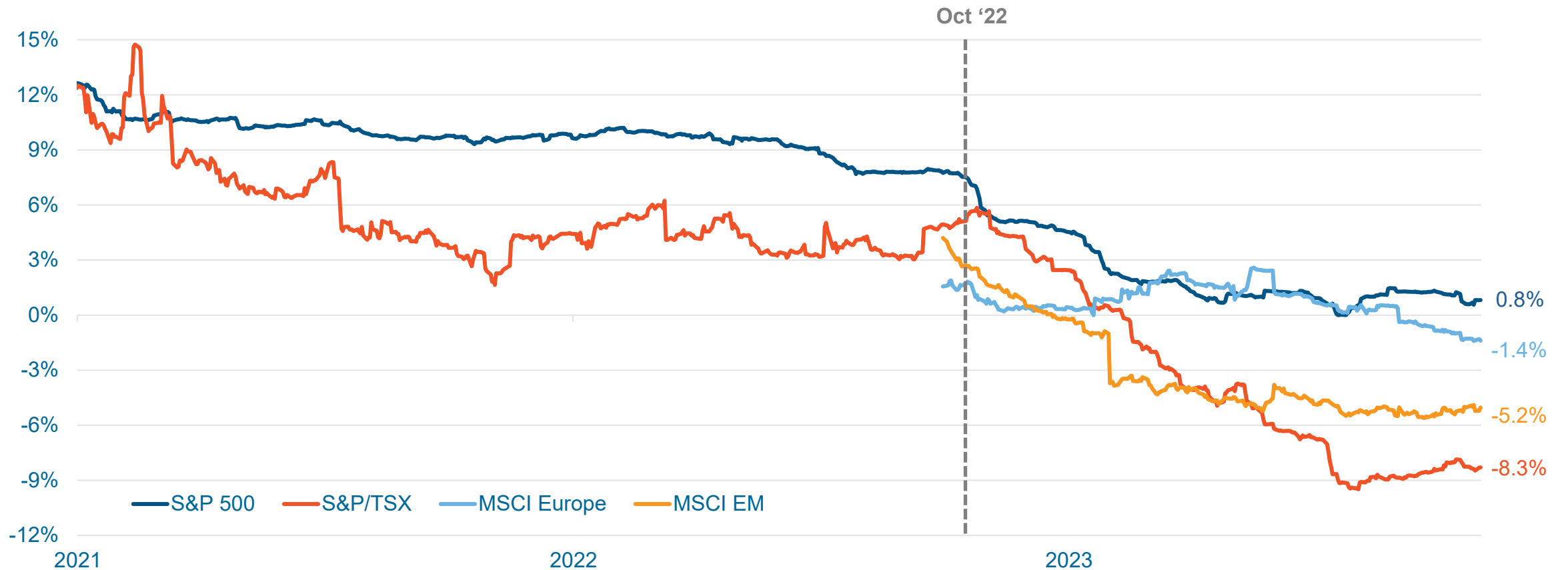
Yields are flashing yellow for equity investors

Global 10-year bond yields



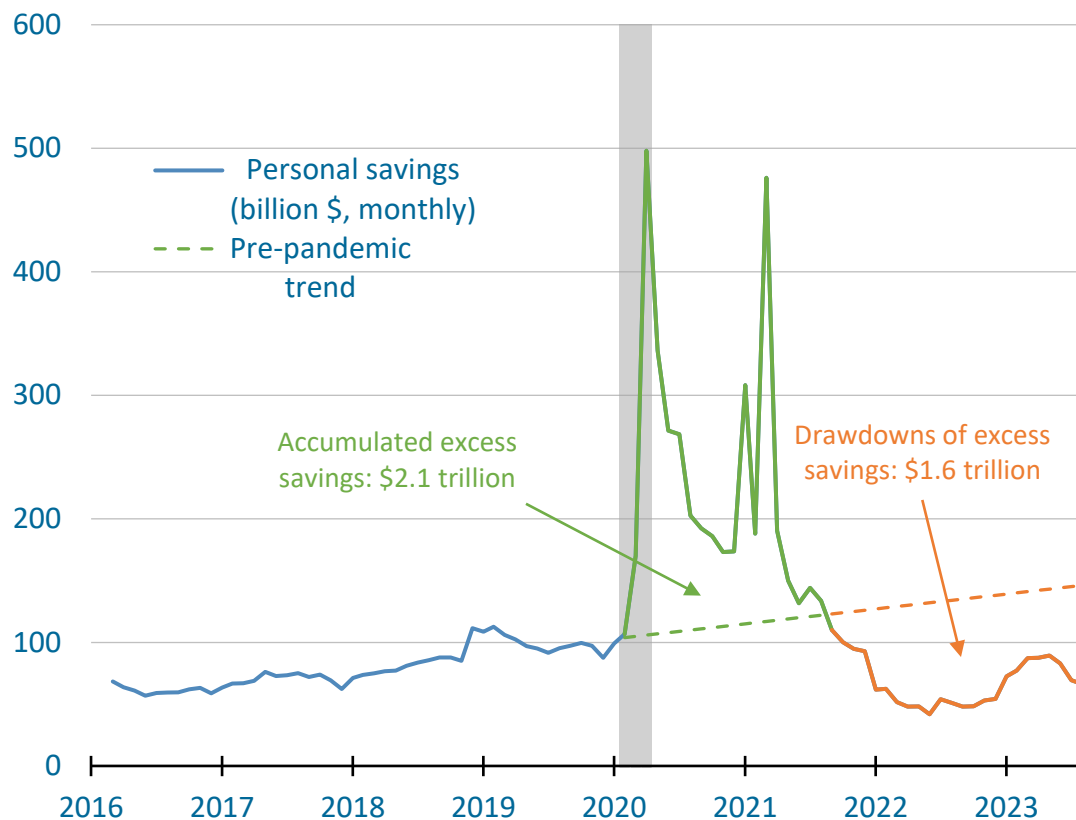
Earnings outlook for 2023 rolling downhill

2023 consensus estimates EPS growth (y/y %)

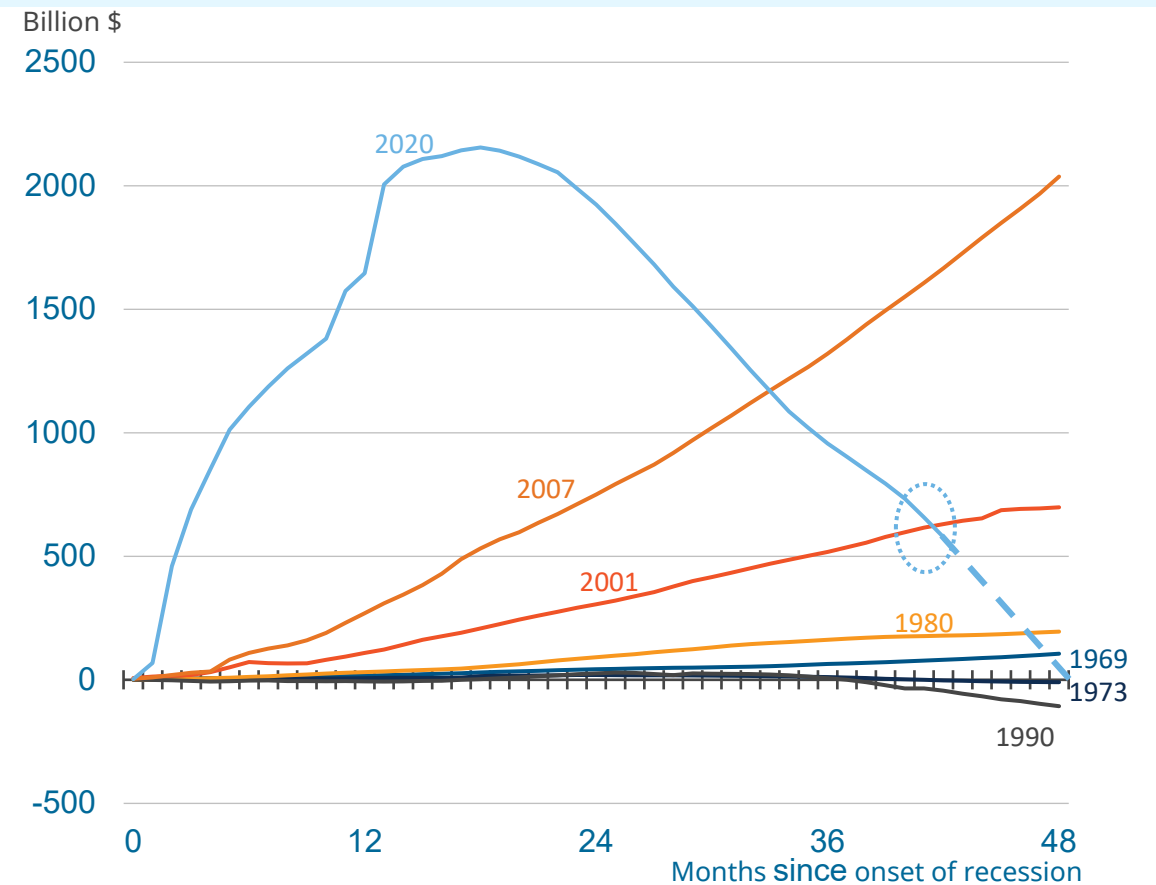


Depleting the personal safety net

Accumulated personal savings post-pandemic



Excess savings following onset of recessions

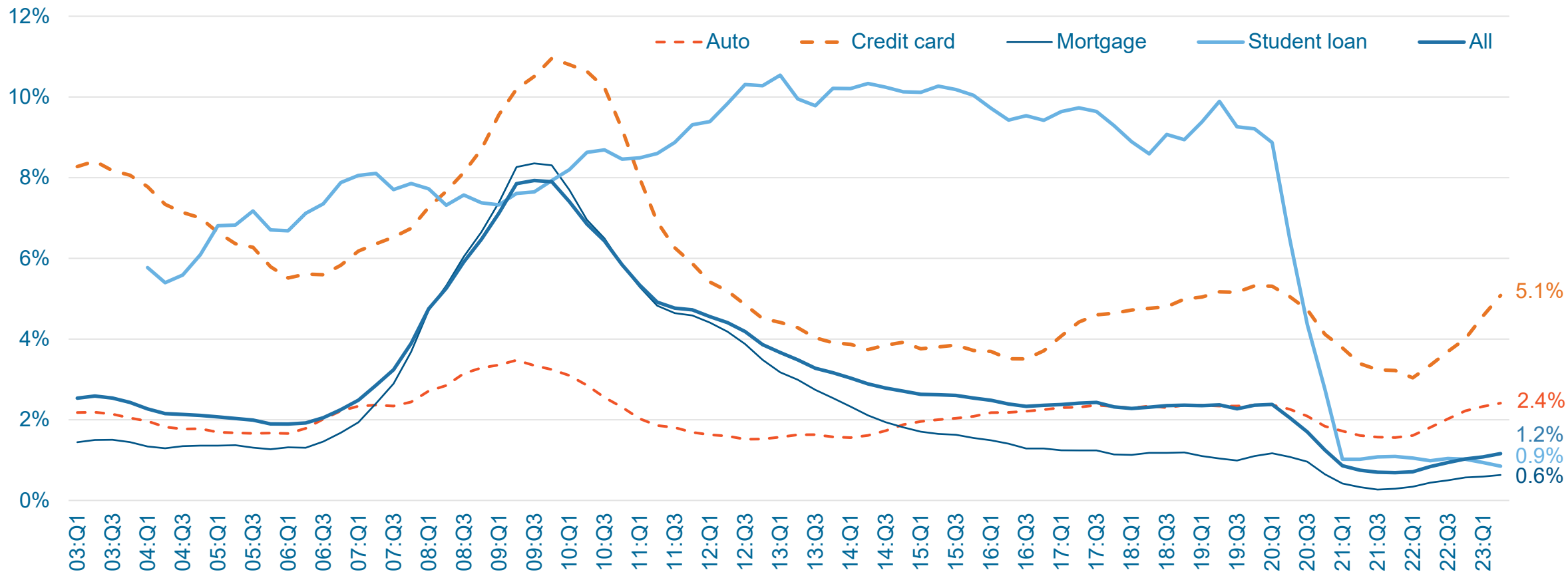


Source: Bureau of Economic Analysis and SF Fed

Note: Excess savings calculated as the accumulated difference between actual personal savings and the trend implied by data for the 48 months leading up to the first month of each recession as defined by the NBER. For simplicity, the two recessions in the early 1980s are combined.

US consumer loan delinquencies on the rise

Transition into serious delinquency (>90 days)



Looking over the valley

1

Inflation

2

Financial
conditions

3

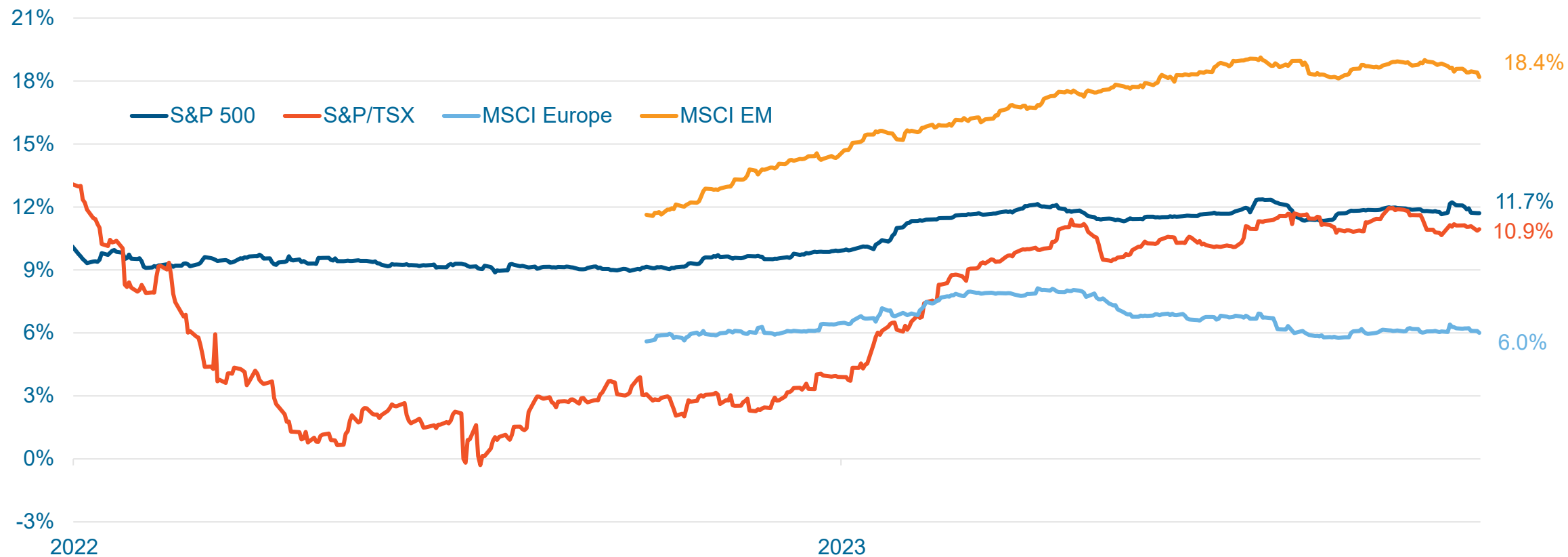
Growth
slowdown

Back to Fundamentals

- Central banks achieve their price stability goals, finishing the last mile
- Interest rates stabilize
- Economic growth bottoms
- A new cycle is born

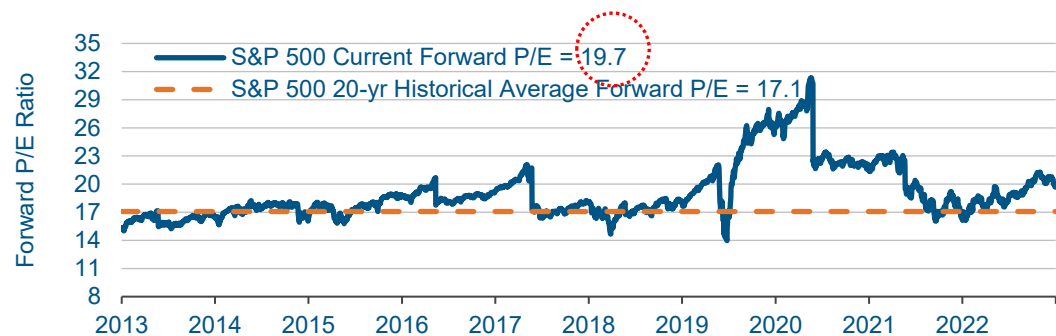
Setting up for 2024

2024 consensus estimates EPS growth (y/y %)

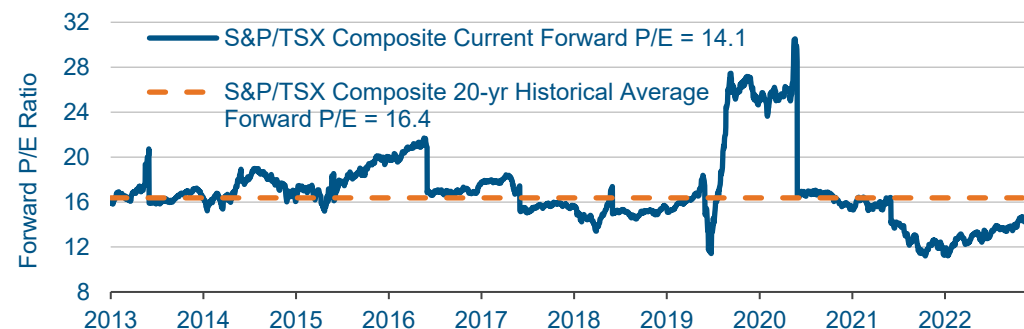


Valuations setting up the opportunity

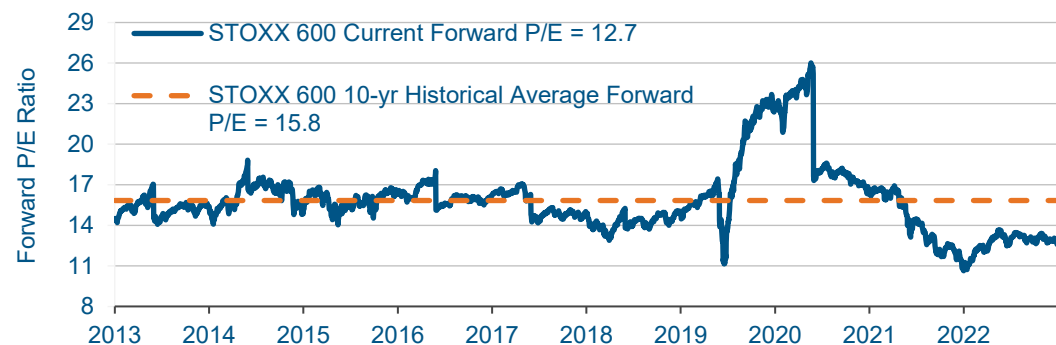
S&P 500



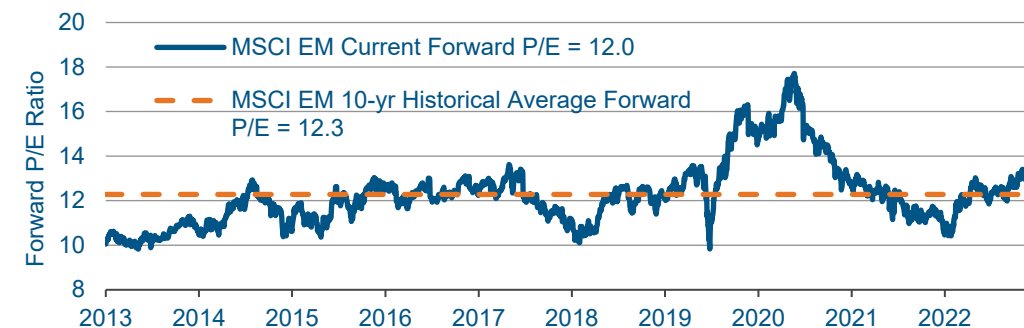
S&P/TSX



Euro Stoxx 600







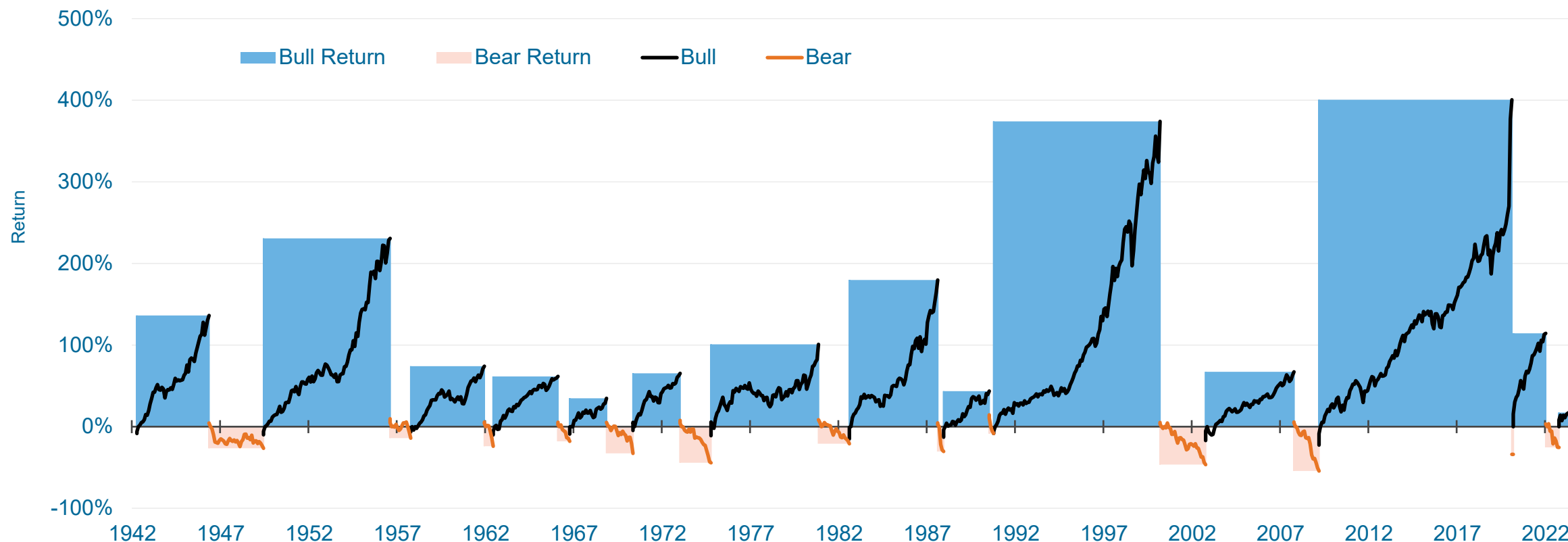
MSCI Emerging Market



Bulls outrun bears since 1942

S&P 500 returns

Avg. duration		Avg. return	
	56		136%
	15		-29%



The Safety Net of Investing

Downside Protection

- Invest with a margin of safety in out of favour asset classes like fixed income

Quality, Growth and Dividends

- Quality, growth and dividends provide the bedrock for building a portfolio for capital appreciation and income

Opportunity

- Dislocations in markets present attractive opportunities for outsized returns

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