Perspectives Executive Summary

For the 12-month period beginning July 1, 2017

GLOBAL BRIGHT SPOTS EMERGE

- The current global landscape reveals economies growing "at potential"—but slowing—no strong inflation pressure and gradual policy normalization from central banks. In this setting, we see more opportunities in specific economic regions than between broad asset classes.
- In Europe, the economy is showing signs of improvement, and some political uncertainties have been reduced with the large majority win of new French President Macron. Earnings are quickly accelerating and have room to keep growing. Emerging markets offer the best long-term value in the equity universe. In the past year, we've seen a strong rebound in earnings in Asia (ex. China), Eastern Europe and Latin America.

Equities versus Fixed Income

- We are maintaining our neutral stance between equities and fixed income. We see more opportunities in the relative movement between economic regions than between these broad asset classes.

Loonie and Greenback

- Whether Canadian monetary authorities actually hike rates once or twice before year-end is of little relevance for the Canadian dollar. The loonie has, to some extent, already priced in these policy actions.
- The U.S. dollar is expected to remain in consolidation mode within a wide trading range.

Regional Markets

- **U.S.**: Over the last six months, U.S. credit growth has slowed for nearly all credit types—from longer-term lending to purchase homes to shorter-term lending to buy cars and other durable goods. Given the magnitude of the slowdown, it is likely to negatively impact the interest-sensitive sectors of the U.S. economy.
- **Europe**: Europe offers good potential for catch-up growth at a reasonable price. This is thanks to an improvement in fundamentals and a central bank that will stay accommodative for longer in light of disappointing inflation data.
- **Emerging Markets**: Emerging markets will still benefit from the continuing economic expansion although the cyclical picture has recently weakened. This region remains our largest overweight.
- **Canada**: Canadian equities are overvalued in absolute terms, but slightly more attractive when compared to other markets.

CIBC Asset Management

Expected Returns

Expected returns for the one-year period beginning July 1, 2017	In Canadian Dollars			In Local Currency		
	U.S. Renormalization	Balancing Act	Global Recession	U.S. Renormalization	Balancing Act	Global Recession
Probabilities	15.0%	65.0%	20.0%	15.0%	65.0%	20.0%
Canada Money Market	1.1%	0.9%	0.4%	1.1%	0.9%	0.4%
Canada Bond	-1.8%	0.9%	6.1%	-1.8%	0.9%	6.1%
Canada Federal Government Bond	-2.1%	1.0%	7.4%	-2.1%	1.0%	7.4%
Canada Corporate Bond	0.2%	1.4%	2.8%	0.2%	1.4%	2.8%
Canada Real Return Bonds	1.6%	1.0%	9.7%	1.6%	1.0%	9.7%
Canada High-Yield Bond	2.5%	2.8%	-2.8%	2.5%	2.8%	-2.8%
International Government Bond	-6.9%	-0.2%	10.0%	-3.8%	-0.5%	5.4%
Canada Equity	16.3%	5.9%	-19.2%	16.3%	5.9%	-19.2%
United States Equity	10.0%	5.5%	-10.6%	13.3%	3.8%	-15.3%
International Equity	14.2%	6.3%	-15.4%	17.0%	6.4%	-17.0%
Emerging Equity	14.8%	8.7%	-22.3%	17.5%	8.6%	-19.5%

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.