



CIBC
Asset Management

PERSPECTIVES

For the 12-month period beginning January 1, 2020

"In the developed world, very few central banks are in the same position as the U.S. Federal Reserve and the Bank of Canada, where room still exists to further cut interest rates. That being said, these banks are also fast approaching their limits."

New growth needs new tools

Although the global economy clearly slowed in 2019, investors remained optimistic and propelled equity markets to all-time highs. We don't expect a blockbuster growth year in 2020, but central banks will likely set the stage to allow governments to provide fiscal help to stimulate growth

Equity: A stabilizing economic cycle could trigger a rotation away from U.S. equities in favour of more cyclical markets such as emerging market equities.

Fixed Income: Disappointing economic growth and the low risk of inflationary pressure from the energy sector should keep a lid on bond yields.

Currencies: We believe it's too soon to call for a widespread U.S. dollar trend reversal, but the greenback will be under increased pressure in 2020.

China: The de-escalation in the trade dispute, along with a phase-one trade deal, will provide some relief for Chinese growth starting in Q2 2020.

Multi-asset outlook

Asset class	Current December 31, 2019	Expected range: minimum next 12 months	Expected range: maximum next 12 months
Canada 3-month T-Bills rate	1.75%	1.25%	2.00%
Canada 2-year government bond yield	1.69%	1.15%	1.95%
Canada 10-year government bond yield	1.70%	1.15%	2.10%
U.S. 10-year government bond yield	1.92%	1.35%	2.30%
Germany 10-year government bond yield	-0.19%	-0.50%	0.20%
Japan 10-year government bond yield	-0.03%	-0.25%	0.30%
Canada 10-year real-return government bond yield	0.37%	0.05%	0.60%
Canada investment grade corporate spreads	1.14%	0.95%	1.55%
U.S. high yield corporate spreads	3.58%	3.30%	4.90%
Emerging market sovereign (USD denominated) bond spreads	277	250	500
S&P/TSX price index	17,063	16,300	18,100
S&P 500 price index	3,231	2,975	3,350
Euro Stoxx 50 price index	3,745	3,500	3,900
Japan Topix price index	1,721	1,625	1,825
MSCI Emerging Markets	61,467	59,000	66,500
U.S. Dollar/Canadian Dollar	1.2990	1.29	1.36
Euro/U.S. Dollar	1.1213	1.07	1.18
U.S. Dollar/Japanese Yen	108.61	100.0	112.0
U.S. Dollar/Offshore Chinese Yuan	6.96	6.65	7.20
Gold	1,517	1,370	1,600
Oil price, WTI (West Texas Intermediate)	61.06	50	60

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