Perspectives Executive Summary

For the 12-month period beginning April 1, 2016

MONETARY POLICY RUNNING ON EMPTY

- While some risks have recently receded, they have not disappeared. Global debt levels remain high by historical standards. Even though the cost of financing the debt is lower, the global growth supporting the eventual debt repayment has also declined.
- With interest rates near zero and many unconventional monetary policy tools close to their practical limit, the ability of central banks to stimulate growth seems more limited. This could leave the U.S. Federal Reserve (Fed) as the “last man standing”.

Equities versus Fixed Income

- We continue to slightly favour equities over fixed income. However, in the current uncertain, volatile environment, a cautious strategy that is well-diversified across and within asset classes is prudent.
- As a result, we have increased our Canadian bond outlook from underweight to neutral. We have also decreased our U.S. equity outlook from neutral to moderate underweight.

Loonie and Greenback

- We expect the Canadian dollar to give up some of the ground gained in the first quarter. Volatile oil prices, slow growth and a possible cut in Canadian interest rates are all potential negatives for the loonie.
- The U.S. dollar’s long-term uptrend should remain intact against some emerging market and cyclical/commodity-sensitive currencies.
- 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.**: U.S. equities are expensive relative to other global equities and U.S. profit margins continue to be under pressure.
- **Europe and Japan**: In terms of valuation, European and Japanese equity markets are currently cheaper than the U.S. However, growth is sluggish and their central banks have limited options to stimulate economic activity.
- **Emerging Markets**: Significant obstacles for China (including weak global growth and large residential real estate surpluses), will make Chinese growth challenging. On the positive side, emerging market equities are more attractively valued than most global equities.
- **Canada**: Recent appreciation in the Canadian dollar and slower-than-forecast U.S. growth will limit Canadian growth, especially from exports.

CIBC
CIBC Asset Management

Expected Returns

Expected returns for the 12-month period beginning April 1, 2016	In Canadian Dollars			In Local Currency		
	U.S. Renormalization	Sluggish Expansion	Policy Limits	U.S. Renormalization	Sluggish Expansion	Policy Limits
Probabilities	15.0%	50.0%	35.0%	15.0%	50.0%	35.0%
Canada Money Market	0.6%	0.3%	0.2%	0.6%	0.3%	0.2%
Canada Bond	0.2%	2.2%	4.7%	0.2%	2.2%	4.7%
Canada Federal Government Bond	-1.5%	1.1%	4.3%	-1.5%	1.1%	4.3%
Canada Corporate Bond	2.9%	3.1%	2.7%	2.9%	3.1%	2.7%
Canada Real Return Bond	0.5%	2.6%	7.2%	0.5%	2.6%	7.2%
Canada High-Yield Bond	10.5%	5.5%	-5.0%	10.5%	5.5%	-5.0%
International Government Bond	-8.0%	5.0%	19.9%	-2.3%	0.9%	2.6%
Canada Equity	11.3%	2.6%	-23.8%	11.3%	2.6%	-23.8%
United States Equity	3.2%	3.5%	-10.2%	6.8%	-0.1%	-21.6%
International Equity	9.8%	8.1%	-5.9%	15.2%	5.3%	-18.5%
Emerging Equity	17.0%	4.5%	-12.1%	15.3%	5.9%	-16.7%

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				✓	

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