



CIBC
Asset Management

PERSPECTIVES

For the 12-month period beginning January 1, 2021

"Vaccines will allow the economy to restart and recover swiftly, but the subsequent economic expansion will need ongoing policy support."

The road back to normal

White-knuckled global investors can breathe a little easier as we begin 2021. Developments on the COVID vaccine front are encouraging and consumers are sitting on a record amount of cash after restraining their spending for nearly a year. There's a lot of pent-up demand out there, but will the global economy get too strong for comfort and force monetary authorities to start draining liquidity from the system?

Equity: The reopening of the economy benefits all equities, but some will still benefit more than others. Sectors and countries that have been harder hit stand to gain more from the recovery, with the exception of industries that have been permanently damaged. In particular, small cap companies should outperform large caps.

Fixed Income: We're maintaining a pro-cyclical stance in global bond portfolios by underweighting developed market bonds and overweighting emerging market bonds.

Currencies: We expect U.S. dollar weakness to continue against most major currencies in 2021. Despite its rally in 2020, the Canadian dollar still qualifies as significantly undervalued against the USD and will likely continue to strengthen.

China: The rise of the Chinese consumer and the Chinese central bank on the sidelines will both support the Chinese economy. This strength will also result in important, positive spillovers for the global economy.

Multi-asset outlook

Asset class	Current December 31, 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	0.20%	0.20%	0.70%
Canada 10-year government bond yield	0.68%	0.55%	1.40%
U.S. 10-year government bond yield	0.91%	0.75%	1.50%
Germany 10-year government bond yield	-0.57%	-0.60%	0.00%
Japan 10-year government bond yield	0.02%	-0.25%	0.25%
Canada 10-year real-return government bond yield	-0.29%	-0.40%	0.05%
Canada investment grade corporate spreads	1.16%	0.85%	1.35%
U.S. high yield corporate spreads	3.79%	3.25%	5.50%
Emerging market sovereign (USD denominated) bond spreads	323	250	500
S&P/TSX price index	17,433	16,250	19,000
S&P 500 price index	3,756	3,300	4,000
Euro Stoxx 50 price index	3,553	3,300	3,875
Japan Topix price index	1,805	1,650	1,950
MSCI Emerging Markets	71,693	65,000	79,000
U.S. Dollar/Canadian Dollar	1.2725	1.219	1.330
Euro/U.S. Dollar	1.2216	1.180	1.250
U.S. Dollar/Japanese Yen	103.25	100.00	107.00
U.S. Dollar/Offshore Chinese Yuan	6.50	6.28	6.90
Gold	1,898	1,800	2,200
Oil price, WTI (West Texas Intermediate)	48.52	47.00	64.00

Source: Thomson Reuters Datastream, CIBC Asset Management Inc.

This document has been prepared for the general information of our clients and does not constitute an offer or solicitation to buy or sell any securities, products or services and should not be construed as specific investment advice. All opinions and estimates expressed in this document are as of the time of its publication and are subject to change. CIBC Asset Management Inc. uses multiple investment styles for its various investment platforms. The views expressed in this publication are the views of the Multi-Asset Allocation and Currency Team and may differ from the views of other teams within CIBC's integrated investment platform.

⌘ The content of this presentation is proprietary and should not be further distributed without prior consent of CIBC Asset Management Inc.