



CIBC
Asset Management

PERSPECTIVES

For the 12-month period beginning April 1, 2021

"Of course, our bullish global forecast is conditional on how the COVID-19 global pandemic evolves, but there are good reasons to feel more upbeat."

Roaring back to life

The global economy will enjoy its strongest growth on record over the next four quarters, as the recovery continues from the deepest recession since World War II. On the COVID vaccination front, herd immunity is finally within reach in a growing number of countries. Developed world governments also have an impressive arsenal still at their disposal due to the full cooperation of their respective central banks.

Equity: Equities in most countries are moderately but not extremely overvalued. Cyclical forces will likely push equities higher, but high valuation could limit potential gains.

Fixed Income: We continue to favour emerging market (EM) debt based on a number of factors including our upbeat forecast on commodities and China and our bearish USD long-term view.

Currencies: We expect the U.S. dollar downtrend to resume, given the global economic recovery, the Fed's policy rate anchored near zero and the adoption of Average Inflation Targeting (AIT) that implicitly targets a weaker U.S. dollar.

China: Consensus opinion is underestimating the strength of the foreign global demand that will benefit China. Historically, periods of strong global growth have been associated with positive economic surprises in China.

Multi-asset outlook

Asset class	Current March 31, 2021	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	0.22%	0.20%	0.65%
Canada 10-year government bond yield	1.56%	1.00%	2.15%
U.S. 10-year government bond yield	1.74%	1.25%	2.25%
Germany 10-year government bond yield	-0.29%	-0.45%	0.10%
Japan 10-year government bond yield	0.09%	-0.25%	0.25%
Canada 10-year real-return government bond yield	0.22%	-0.05%	0.55%
Canada investment grade corporate spreads	1.22%	1.40%	0.95%
U.S. high yield corporate spreads	3.30%	5.25%	3.15%
Emerging market sovereign (USD denominated) bond spreads	324	250	500
S&P/TSX price index	18,701	17,750	20,500
S&P 500 price index	3,973	3,700	4,350
Euro Stoxx 50 price index	3,919	3,750	4,350
Japan Topix price index	1,954	1,850	2,150
MSCI Emerging Markets	74,289	70,000	83,500
U.S. Dollar/Canadian Dollar	1.2562	1.219	1.282
Euro/U.S. Dollar	1.1730	1.160	1.230
U.S. Dollar/Japanese Yen	110.72	104.00	112.00
U.S. Dollar/Offshore Chinese Yuan	6.56	6.28	6.90
Gold	1,708	1,600	2,200
Oil price, WTI (West Texas Intermediate)	59.16	57.00	75.00

Source: Thomson Reuters Datastream, CIBC Asset Management Inc.

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