iA Global Asset Management

Monthly Macro & Strategy

September 2023

Sébastien Mc Mahon, MA, PRM, CFA
Chief Strategist, Senior Economist and Vice-President, Asset Allocation & Portfolio Manager

Adil Mahroug, M.Sc.
Senior Strategist and Director, Asset Allocation

Tuyen Tran, M.Sc., CFA
Senior Analyst, Asset Allocation

Highlights

- It's never truly "different this time". Beware of soft landings and the illusion of history not repeating itself.
- From TINA (There Is No Alternative), the market has shifted to TAPA (There Are Plenty of Alternatives) due to rising short-term rates.
- Recent price action presents interesting convergence trades, such as going long on energy versus technology or commodities versus U.S. equities.

Global Asset Allocation Views (September 2023)

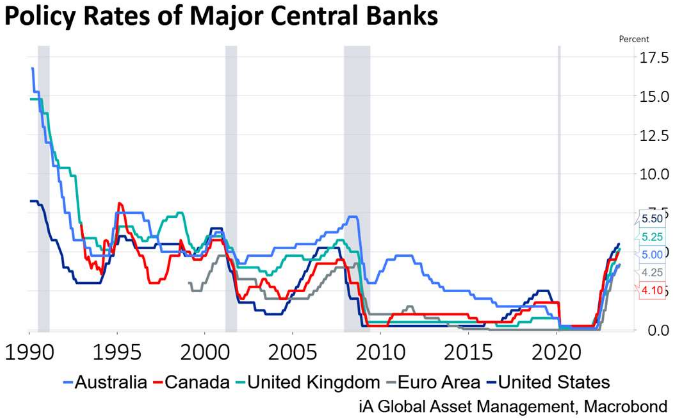
	--	-	N	+	++	Δ
Asset Classes						
Money Market				X		
Fixed Income				X		
Equities		X				
Alternatives			X			
Relative Equity						
Canadian Equities			X			
U.S. Equities		X				
International Equities			X			
EM Equities			X			
Relative Fixed Income						
Government Bonds					X	
IG Corporate Bonds				X		
HY Bonds	X					
Other						
Oil				X		
Gold			X			
USD (trade weighted)				X		
CAD/USD			X			

This time is not different

"What we learn from history is that people don't learn from history" might just be our favourite quotation from the great Warren Buffett, as we watch history repeat itself yet again this year.

In the past 18 months, we've seen one of the most aggressive coordinated hikings of global rates in recorded history. Now that we're (finally) reaching the end of the tightening cycle, we might be tempted to conclude that this time is different and that the resilience of the coincident macro indicators means a soft landing is a shoo-in. Even the Fed staff took the recession call off the table[1], citing the "resiliency of the economy", and Fed Chair Jerome Powell went so far as to opine that the Fed sees "the beginnings of disinflation without any real costs in the labour market."

Policy Rates of Major Central Banks



We agree that the recent data points are more resilient than expected and that no dashboard will likely be flashing recession red in the coming quarter. Even so, our approach as students of history suggests that we should remain cautious, now more than ever, and avoid the temptation of looking at the economy through rose-tinted glasses.

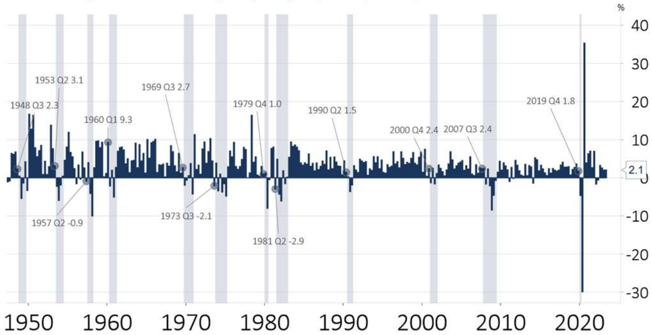
For example, the pace of U.S. GDP growth in the second quarter of 2023, with the latest revisions, stood at 2.6%. Interestingly, the same quarterly pace of GDP growth was observed precisely before the 2008-2009, 2001 and 1948 recessions. The very quarter before the 1969-70 recession?

1 https://www.forbes.com/sites/brianbushard/2023/07/26/fed-staff-no-longer-predict-recession-as-inflation-cools/?sh=77e0ff777776

Quarterly growth of 2.7%. How about the 1960 recession? 9.3%!

U.S.: Real GDP Growth

U.S. Bureau of Economic Analysis (BEA), %, QoQ, SAAR, as at 2023 Q2



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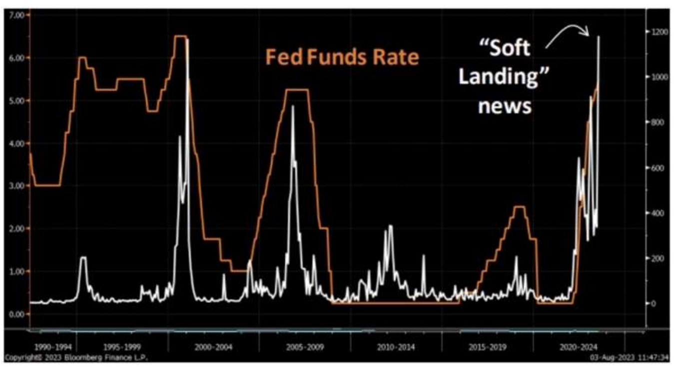
We all know that monetary policy operates with long and variable lags (see our previous discussions on the topic [here](#)). We also know that human beings are, by nature, impatient. This cocktail tends to cause history to repeat itself over and over. Indeed, headlines about a soft landing tend to spike when the Fed is done tightening but right before the impact of the hikes works its way through the economy.



Source: Bloomberg

Lost within the soft-landing narrative is the fact that the breadth in the number of countries and U.S. sectors showing growth continues to deteriorate. In investment, keeping an open mind is crucial, but so is paying attention to the data. Until we start to see growth leaders emerge, our outlook will remain cautious.

World: % of Manufacturing PMIs Above 50

As at 6/2023

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It's not about inflation anymore…

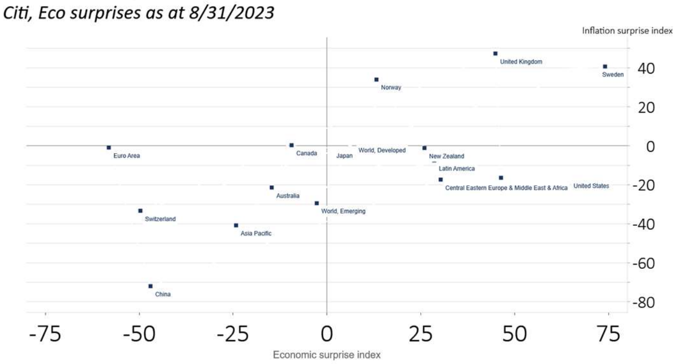
Central bankers' fight against inflation is well under way and, unless we're surprised by a premature pivot by the major players or another inflationary shock, it will most likely be over by the end of 2024.

Our focus is no longer on the monthly inflation data points, or even on whether the Fed, the Bank of Canada or the European Central Bank will raise rates again this year, but rather squarely on the cumulative impact of the hiking cycle and the signals our leading indicators are giving for 2024.

Citi's economic and inflation surprise indices are signaling that inflation surprises have generally turned negative, with the United Kingdom, Norway, Sweden and Canada being exceptions.

Global Surprise Indices

Citi, Eco surprises as at 8/31/2023



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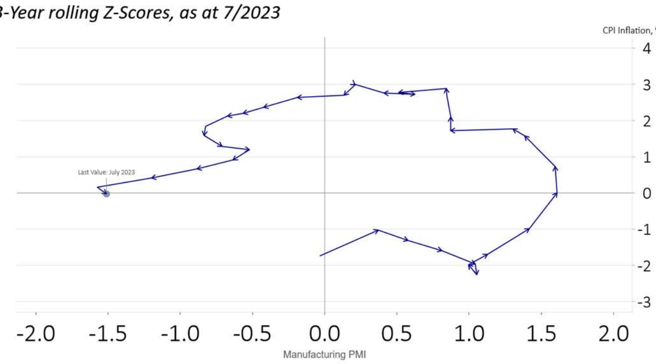
The recent dynamics of growth and price pressures point to a continued fall in global inflation. As can be seen below, the growth/inflation cycle is now firmly in the economic slowdown/fading inflation quadrant. With our leading indicators pointing to even softer global growth, it's reasonable to expect both inflation and growth to moderate.

World: The Economic & Inflation Cycle

3-Year rolling Z-Scores, as at 7/2023



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We also find it noteworthy that the resilience of U.S. GDP growth hinges in large part on consumer spending and fiscal thrust.

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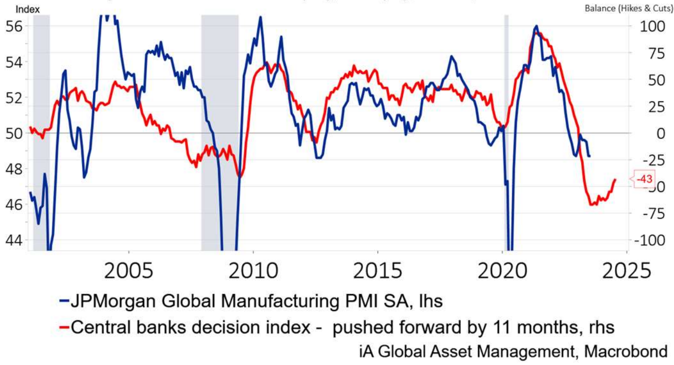
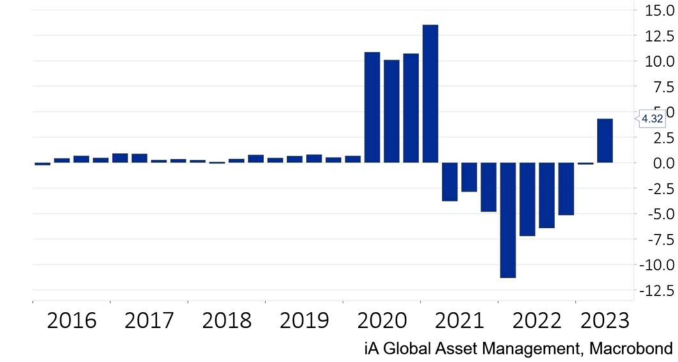
Global PMI vs Global Monetary Policy Cycle
Last decision from central banks: Cut (+1), Hike (-1), as at 8/2023

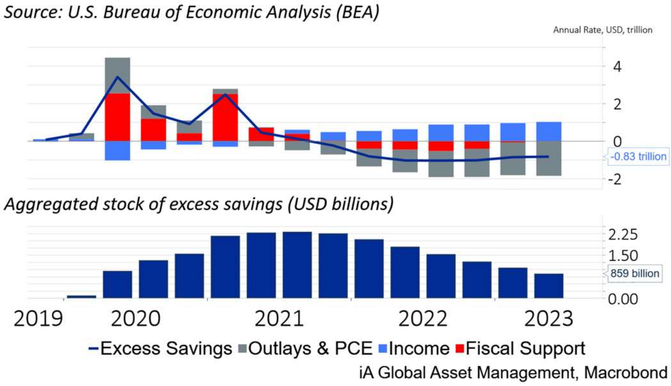


U.S.: Fiscal Thrust
YoY change in deficit as % of GDP, as of 2023 Q2



Above all, we think the depletion of U.S. consumers' excess savings, which could dry up by early 2024, is largely responsible for the sizable positive surprises of 2023. The end of the moratorium on student-loan repayments, which many estimate at $18G a month, or more than $50 billion a quarter, could cause U.S. consumers to change their spending habits abruptly and stop GDP growth in its tracks.

US consumers' excess savings are depleting
Source: U.S. Bureau of Economic Analysis (BEA)



The unending growth in the U.S. fiscal deficit is also at play here, and the fiscal thrust is a factor that has a clear expiration date.

In the first 10 months of the current fiscal year, the U.S. budget deficit hit $1.6 trillion, more than double the year-ago figure. Interest payments, on a 12-month running total, have almost doubled to about $650G.

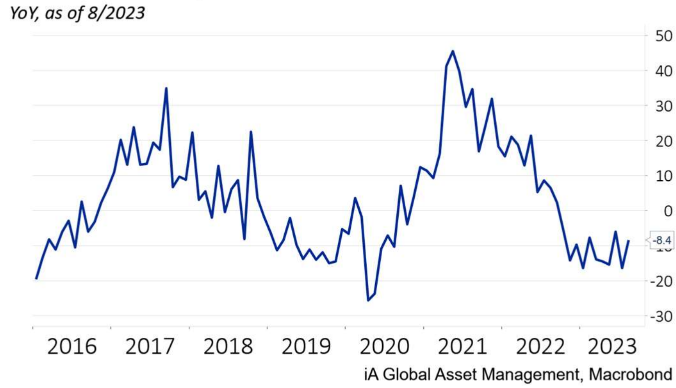
The downgrade from Fitch is due to these figures; even so, we're not overly concerned that the U.S. government will default on its debt, given that the US dollar serves as the world's primary reserve currency. Nevertheless, we think the steps that will soon be necessary to curb the deficit may transform fiscal spending from a growth tailwind to a headwind.

Will China come to the rescue? Not this time!

This year's wildest of wildcards, which unfortunately turned out to be a measly two of spades, was China's reopening.

Many investors had high hopes that the post-COVID reopening of the Chinese economy would jolt the global macro cycle; however, as we argued earlier this year (see here), the timing was largely unfavourable because global demand for manufactured goods was contracting.

South Korea Exports
YoY, as of 8/2023



Since China abruptly ended its zero-COVID policy on January 8, the news flow has been, to say the least, lackluster. In addition to Evergrande, whose saga began back in 2021, more property developers face the risk of going under (Country Garden being the latest example), cities are struggling with trillions of dollars of accumulated debt[2] and some shadow banks are threatening

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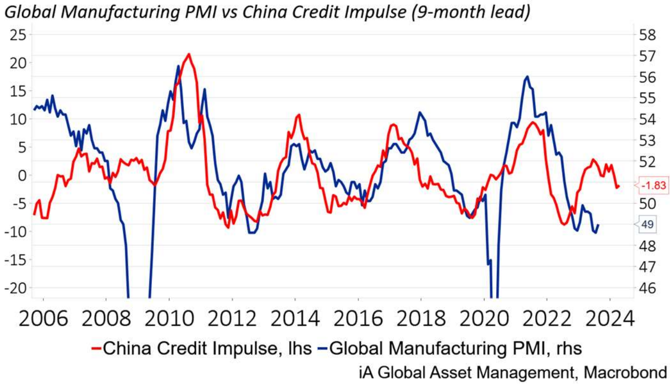
[2] https://www.wsj.com/articles/chinas-cities-struggle-under-trillions-of-dollars-of-debt-c341b6e0

to default, which could, as we learned in 2008, lead to an unpredictable chain reaction in the Chinese financial system.

Though the resolution of these financial issues remains a matter of conjecture, it's worth noting that the hard macro data reveal increasing weakness across various facets of the Chinese economy. We already know that construction starts and property sales have been contracting since President Xi's housing reform was enacted pre-COVID (remember Xi's words that started the reform: "houses are for living in, not for speculation"). And now the macro weakness is spreading to retail sales, car sales and fixed-asset investments. Exports are also suffering from weaker global demand, and imports are in a slump, as evidenced by the bellwether of South Korea's exports, which are down almost 20% year over year.

World: China's Credit Cycle and the Economic Cycle

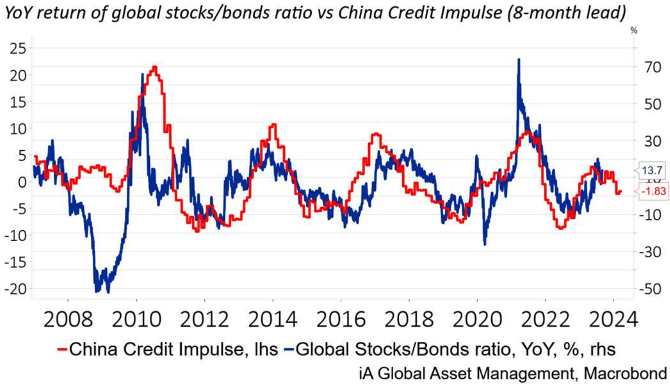
Global Manufacturing PMI vs China Credit Impulse (9-month lead)



China's impact on the global economy and markets can be better captured through its credit cycle, which is a solid leading indicator of both the global economic cycle and the relative performance of global stocks versus bonds. Even though Chinese authorities are enacting some marginal measures to help keep the credit cycle going (while also supporting the yuan through open-market operations), the base case is that the credit impulse will continue to fade in the coming months, with sizable impacts on global growth and risk appetite.

China's Credit Cycle as a Driver of Market Returns

YoY return of global stocks/bonds ratio vs China Credit Impulse (8-month lead)

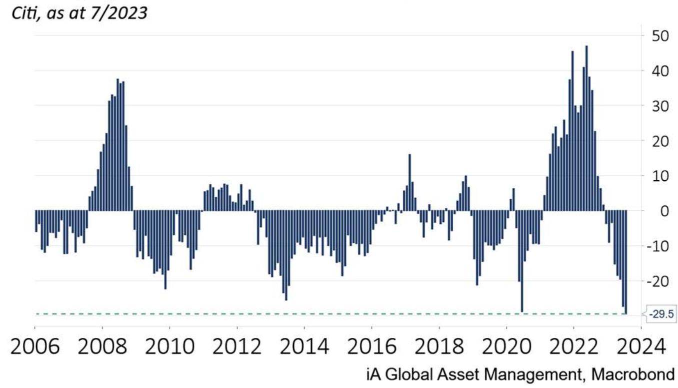


Emerging countries are where it actually is different this time

Interestingly, central bankers in some emerging countries, such as Brazil and Chile, have started cutting their leading rate as inflation surprises have turned largely negative, which explains the bottoming behaviour of our global monetary policy cycle indicator.

Emerging Markets: Inflation Surprises

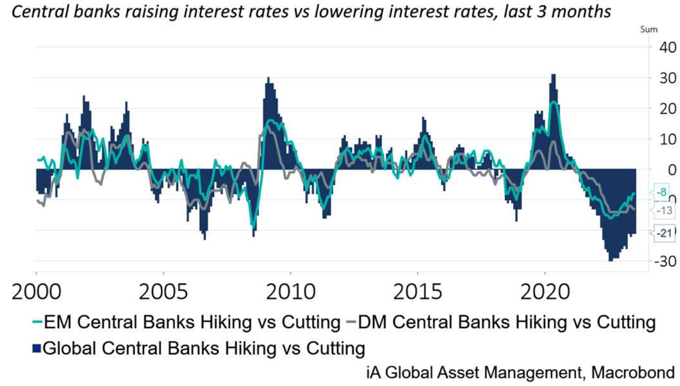
Citi, as at 7/2023



Fact is, Brazil and Chile started raising interest rates earlier than the Federal Reserve and the Bank of Canada, and did so very aggressively because their economies are more affected by changes in food prices. The Central Bank of Brazil also had some extra motivation to curb inflation early: it became independent in the past year and does not have a history of being able to tame price pressures.

Global monetary policy cycle

Central banks raising interest rates vs lowering interest rates, last 3 months

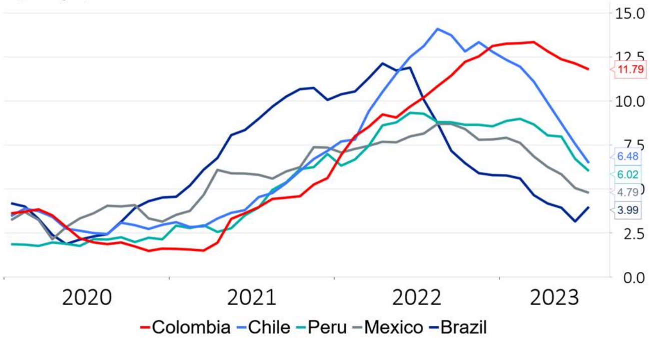


Previous episodes of sizable Fed tightening preceded destabilizing currency devaluations in emerging markets, even leading to sovereign debt and banking crises in Latin America and Asia. A recent study by the Federal Reserve Bank of Dallas[3] shows that, during the current cycle, emerging-market authorities have taken proactive measures, such as raising interest rates and improving fiscal discipline, to insulate their economies against capital flow shifts.

[3] https://www.dallasfed.org/research/economics/2023/0808

Latin American inflation rates

YoY%, as of 7/2023



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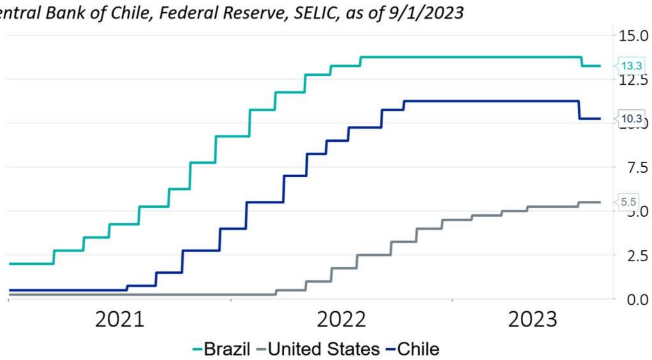
During this latest tightening cycle, emerging-market currencies have depreciated only modestly, while advanced-economy currencies have depreciated more. Factors contributing to the relative strength of emerging-market currencies include early policy rate increases and the adoption of policies such as inflation targeting, leading to greater transparency and credibility in monetary policy.

In the 1980s and 1990s, nearly all emerging-market public debt held abroad was denominated in foreign currencies, making these economies vulnerable to periods of home-currency instability and high inflation; however, the situation has taken on a more domestic tilt over the past two decades.

Finally, emerging-market economies also hold stronger foreign-currency reserves – liquid assets – to mitigate the impact of capital outflows, thus enabling them to finance current account deficits and roll over maturing debt. All the above factors amount to a pretty different risk profile for emerging countries this time, proving that, in the end, sometimes some things are indeed different.

Monetary policy rates

Central Bank of Chile, Federal Reserve, SELIC, as of 9/1/2023



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What do we make of all this?

First, there are too many signs that monetary policy effects are working their way through the economic machine for us to join the herd and call for a soft landing. The Fed does not have a solid track record of sticking the landing[4], and the magnitude and speed of the recent tightening cycle are enough to keep us comfortably careful.

Second, we're always asking the question "Where will growth come from?" But the answer remains awfully hard to find. It's almost never "different this time"; things simply unfold with a different sequence and pace. But we have good reasons to expect any slowdown not to be too severe, especially when we consider the great progress that emerging countries have made to prevent their economies from bearing the brunt of the global monetary policy cycle.

Bottom Line

Equities

Our overall positioning has not changed this month, although we do see a window opening for an attractive alpha trade in sector rotation.

The story so far this year has been the outperformance of U.S. tech stocks, more precisely the "magnificent seven" with a connection to the AI theme (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla). Even though it's always a risky strategy to get in front of such strong momentum, we've seen these names reverse some of their gains since late-July, opening the door to a convergence play.

When looking at the index level, we note that concentration has recently reached historical highs as the top 10 names in the S&P 500 weigh about 32% of total market cap; consequently, the outperformance of the S&P 500 Index relative to its equally weighted version has jumped to levels seen only in the March 2020 episode and during the dot-com bubble of 1998-2000.

Rolling outperformance of S&P 500 vs S&P 500 Equal Weight

Rolling 6-month window, S&P Global, as at 8/31/2023

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We have thus put in place a tactical trade, going long energy and short technology, in order to benefit from the rotation from technology (growth) to energy (value). The relative

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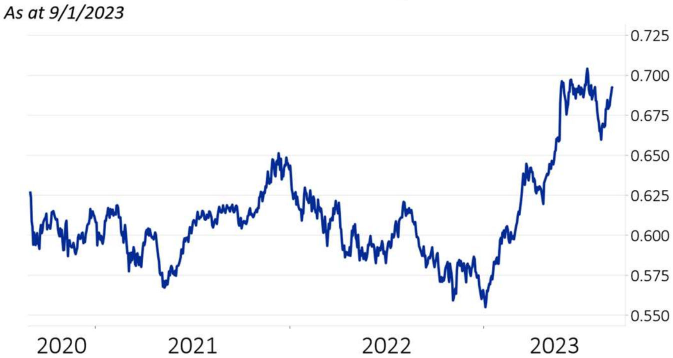
[4] See this timely paper from the Journal of Economic Perspectives for a more thorough discussion: https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.37.1.101

performances of these two sectors have mirrored each other so far in 2023, making energy a good candidate for a pair trade.

S&P 500: Information Technology Relative to Index

As at 9/1/2023



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S&P 500: Energy Relative to Index

As at 9/1/2023

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There are a few catalysts for such convergence. Real 10-year U.S. yields are getting close to 2%, the highest level since the GFC; but, what is more important, this level represents a move of about 3% since the lows reached in early 2022 and is putting ample pressure on the valuation of growth stocks.

U.S.: Real 10-Year Rate

Federal Reserve, as at 8/25/2023

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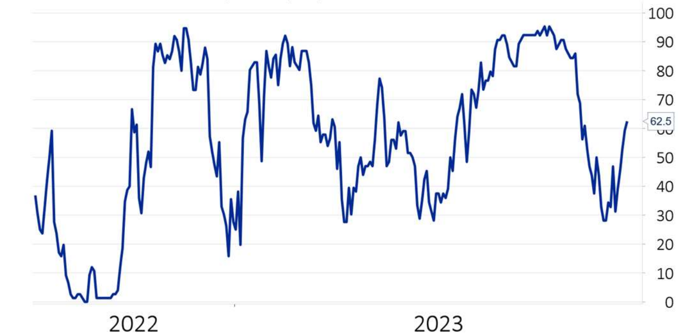
More specifically, we also see that, since the July peak, breadth (measured by the percentage of names trading above their 50-day moving average) has sharply deteriorated in the tech sector but has jumped to 100% in the energy sector.

S&P 500: Information Technology

% Members Above 50D MA, as at 8/31/2023



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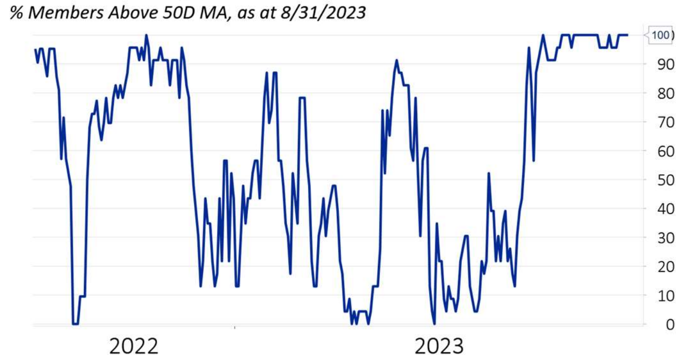
At the index level, we've seen further expansion of multiples globally over the past 3 months, coupled with upward revisions to next-12-months (NTM) earnings growth in most regions. Although most regions have seen earnings growth expectations fall over the past year, we would remain careful before upgrading the prospects for earnings until we have more clarity about the diffusion of monetary policy.

S&P 500: Energy

% Members Above 50D MA, as at 8/31/2023



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Looking at alternatives to equities, or risk assets in general, we think it is abundantly clear that the competition has become more serious, and that the bar for allocating funds to common stocks is getting ever higher.

U.S.: Money Market Fund Assets, Total

Investment Company Institute (ICI), as at 8/28/2023

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As previously discussed here, cash now yields north of 5% annualized, with almost zero risk. The attractiveness of money market funds thus needs to be considered when asset allocation decisions are made. As a matter of fact, the total assets of U.S. money market funds continue to grow, now surpassing $5.5 trillion, with inflows of $1 trillion in the past 12 months alone.

S&P 500: Equity Risk Premium

Using 12-Month Fwd Earnings and U.S. 3-Month Rate, as at 8/31/2023

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In terms of cross-asset valuation, the equity risk premium (ERP) measured with the 3-month rate is now in negative territory and shows that equities are now the most expensive they have been relative to cash since the bursting of the dot-com bubble. Even though this valuable metric went much lower before that bubble burst, it does suggest that the relative upside of equities has become historically limited.

In short, what is clearly different now versus the post-GFC period is that the list of compelling safe assets has become very long. We're in a situation opposite to the "there is no alternative" (TINA) era, namely a new era of "there are plenty of alternatives", or TAPA, when investors are incentivized to look at alternatives to stocks.

Fixed Income

The past few months have seen a sizable rally in yields, which has wiped out most of the cumulative year-to-date returns on the main bond indexes.

Our estimates suggest that all three of the basic building blocks have been at play: higher growth expectations given the traction of the soft-landing narrative; a rebound of inflation expectations as displayed by breakevens; and rising expectations of higher-for-longer rates as reflected in the risk premium.

U.S.: 10-Year Rate

U.S. Department of Treasury, as at 8/31/2023

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The move was especially large in 30-year yields on both sides of the border, putting further pressure on other asset classes, because you can now lock in a long-term yield of close to 4.5% by lending money to the safest borrowers in the world. Intriguingly, the markets did not react kindly when long rates reached similar levels in 2022 but seem to be tolerating them for now.

U.S.: 30-Year Rate

U.S. Department of Treasury, as at 8/31/2023

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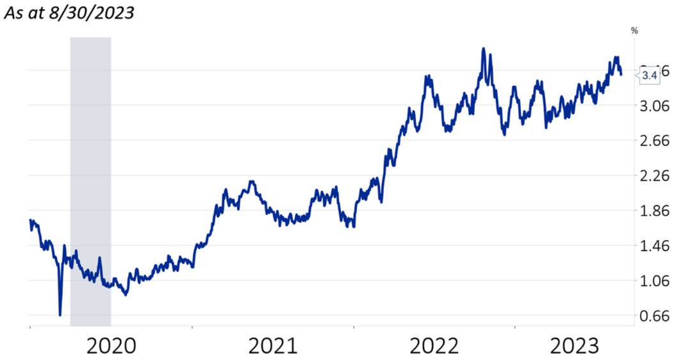
Canada: 30-Year Rate

As at 8/30/2023



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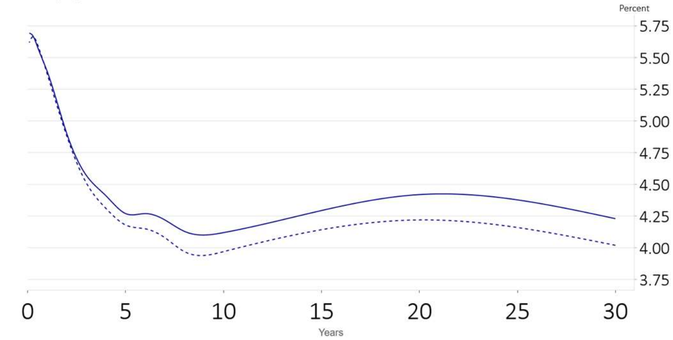
Even though recent market action has been detrimental to a long-duration position, our macro view continues to suggest that the next major move in sovereign yields is down.

U.S.: Yield curve today (full) vs. 1 month ago (dashed)
As at 9/1/2023



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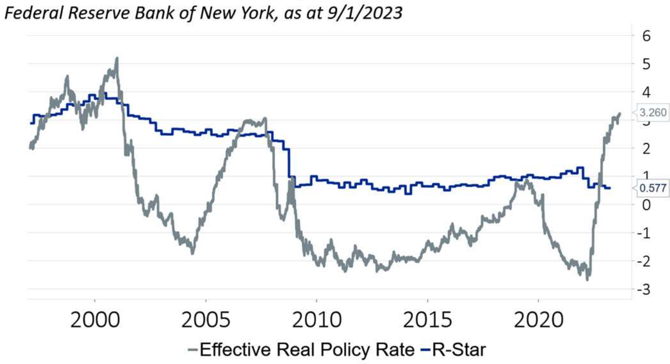
So, is a Treasury rally still in the cards for the second half of 2023? Timing is always tricky in momentum-reversal trades, but the balance of risks remains conducive to adding duration on weakness.

As noted above, real yields are high by historical standards, providing an attractive stepping stone for long-term expected returns on Treasuries. The rapid move higher of nominal rates has also triggered oversold signals on Treasuries, suggesting potential exhaustion of the recent trend. To see rates reverse course and move lower, we will most likely need to see a string of disappointing news on the U.S. labour market and consumer spending, as well as signs that the scenario of resilient growth and disinflation is losing some luster.

As the cumulative Fed tightening has yet to have its full impact, a valid question is "Did the Fed tighten enough?" In technical terms, we need to compare the real fed funds rate (deflated by the 10-year breakeven inflation rate) with the Fed's own estimate of the neutral real rate, commonly called R-star.

U.S.: Effective Real Policy Rate vs R-Star
Federal Reserve Bank of New York, as at 9/1/2023



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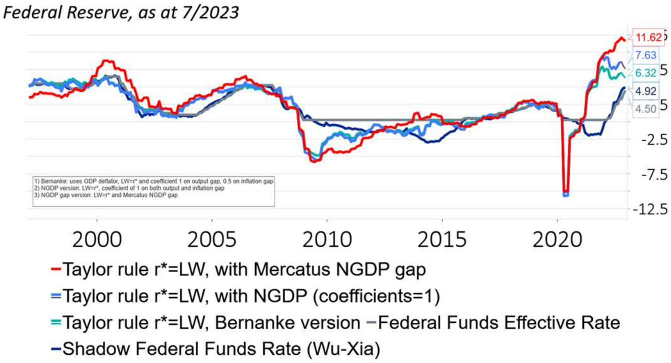
Looking at the current picture, we see that the real fed funds rate is significantly higher than R-star, and that monetary policy is the most restrictive it has been since the mid-1990s (or since we have data on breakeven 10-year inflation). This is also reflected in the shape of the yield curve, which is the most inverted over the same period.

A different analysis would be to look at the message from the well-known Taylor rule. Here, for every major version of the rule that we use, the message is that it would be warranted to raise rates some more, given the state of inflation and the labour market, but that the Fed is still mostly there. Remember that the Taylor rule is a fast-moving guide to how the Fed should set its policy, and that it would be impractical for the FOMC to be as reactive as the rule suggests.

Fed: Taylor Rules
Federal Reserve, as at 7/2023



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Thus, it appears that monetary policy is indeed quite restrictive, and the language from the Fed suggests that the tightening cycle is nearing the end. Historically, the peak in 10-year Treasury yields has tended to coincide with the peak for the fed funds rate expectations. We think the Fed is at most one or two hikes away from the end of its cycle, and that the current level of rates offers an attractive entry point for a core position in any portfolio.

Commodities and FX

We continue to hold a positive view on commodities in general and expect that this asset class will outperform U.S. equities by year-end.

Our main argument is that commodity prices have pulled back significantly over the past year as the global economy lost momentum but seem now to have found a floor, and that their pricing contrasts sharply with the valuation of U.S. equities.

Bloomberg Commodity Spot Index
As at 8/31/2023

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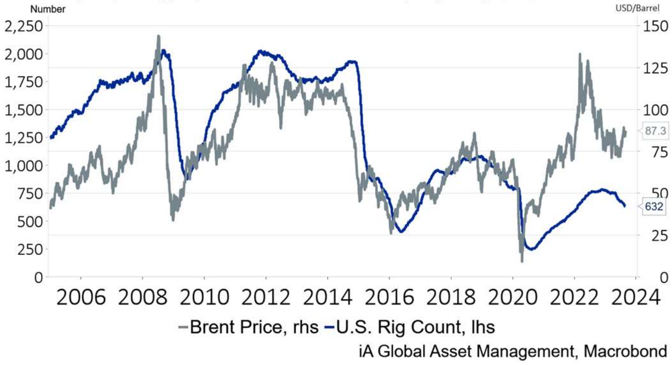
According at rough estimates, the current pricing of the Bloomberg Commodity Index (BCOM) seems consistent with about 60% odds of a recession in the coming 12 months, compared with only 20% for U.S. stocks. Such significant gaps open the door to attractive relative trades; a long commodities

/ short U.S. equities trade could offer positive returns, regardless of whether the landing is hard or soft.

U.S: Oil supply

Baker Hughes, Energy Information Administration (EIA), as of 8/25/2023



Looking at crude oil, we see that the widespread underinvestment in capacity during the COVID period continues to put a floor underneath prices. As for U.S. production, the number of active rigs slipped once again in the past few months, suggesting that the price of WTI could resume rising in an undersupplied market. Saudi Arabia's decision in early August to extend production cuts of a million barrels a day should also add support for global prices in the short term.

FX Rates: CAD/USD

Macrobond Financial AB, as at 9/1/2023

Finally, the U.S. dollar has continued to strengthen against the major currencies over the past month, as U.S. economic surprises remain better than in Europe. We expect the momentum of U.S. data to face headwinds in the second half, so we could see the greenback resume its downward trend and, consequently, the Canadian dollar rebound in the coming months.

Economic Surprises: U.S. - Euro Area

Citi, as at 8/31/2023

Market Performance

(Total return, in local currency)

As of August 31, 2023	MTD%	QTD%	YTD%	Δ1Y%
Equity				
S&P 500	-1.6%	1.6%	18.7%	15.9%
S&P/TSX	-1.4%	1.2%	6.9%	8.5%
NASDAQ	-1.6%	2.1%	41.7%	26.3%
MSCI World	-1.8%	1.1%	16.4%	14.7%
MSCI EAFE	-1.8%	-0.2%	11.9%	14.1%
MSCI EM	-4.7%	0.5%	6.3%	2.8%
Commodities				
Gold	-1.3%	1.1%	6.4%	13.4%
CRB	-2.0%	0.9%	-0.3%	-5.5%
WTI	2.2%	18.4%	4.2%	-6.6%
Fixed Income				
FTSE Canada Universe Bond	-0.2%	-1.3%	1.2%	0.8%
FTSE Canada Long Term Bor	-1.1%	-3.7%	1.5%	-1.0%
FTSE Canada Corporate Bon	-0.1%	-0.5%	2.5%	2.5%
Currency				
DXY	1.7%	0.7%	0.1%	-4.7%
USDCAD	2.4%	2.0%	-0.3%	2.9%
USDEUR	1.4%	0.6%	-1.3%	-7.3%
USDJPY	2.3%	0.9%	11.0%	4.7%
USDGBP	1.3%	0.2%	-4.7%	-8.3%

As of August 31, 2023	MTD%	QTD%	YTD%	Δ1Y%
S&P/TSX Sectors				
Financials	-4.3%	-0.5%	3.1%	4.0%
Energy	5.0%	9.3%	6.7%	6.3%
Industrials	-1.2%	-0.6%	8.1%	10.9%
Materials	-3.7%	2.4%	3.0%	15.2%
Information Technology	0.7%	2.7%	51.5%	60.0%
Utilities	-4.5%	-5.6%	-0.7%	-16.7%
Communication Services	-0.5%	-6.7%	-3.2%	-5.8%
Consumer Staples	2.5%	0.2%	5.2%	10.9%
Consumer Discretionary	-5.2%	-4.5%	6.3%	9.6%
Real Estate	-1.0%	0.8%	3.6%	1.5%
Health Care	0.9%	22.4%	24.0%	3.1%
S&P 500 Sectors				
Information Technology	-1.5%	1.1%	43.7%	32.0%
Health Care	-0.8%	0.0%	-2.3%	6.8%
Consumer Discretionary	-1.3%	1.1%	33.7%	10.1%
Financials	-2.9%	1.7%	0.2%	4.2%
Communication Services	-0.4%	6.3%	44.1%	24.5%
Industrials	-2.3%	0.5%	9.8%	16.5%
Consumer Staples	-3.8%	-1.9%	-1.9%	0.7%
Energy	1.3%	8.6%	0.8%	10.7%
Utilities	-6.7%	-4.5%	-11.4%	-15.5%
Real Estate	-3.1%	-2.0%	-0.2%	-11.3%
Materials	-3.5%	-0.2%	6.4%	10.0%

12-month market scenarios (as of September 2023)

Baseline (50%)	The North American labour market is more resilient than expected, and the resulting wealth effect may be enough to help the macro landscape avoid a recession in 2023. That being said, the recent turmoil in banks shows that the massive liquidity injections from 2020 to 2022 are creating issues for banks, as deposits flee, causing an interest rate mismatch on their balance sheets. Banks tighten their lending standards, and the credit cycle slows abruptly. This context is raising recession risks for 2023, making the risks more balanced than expected last month. Global inflation remains more persistent than market participants currently expect. Base effects should bring annual inflation to between 3 and 4% by mid-year, before we see a slight reacceleration in the second half. The Fed and the ECB think their work isn't done and continue to tighten in the first half of 2023. The Bank of Canada stays on the sidelines, as the risks to the financial system lead to tighter lending conditions. The first rate cuts by central banks do not come until 2024, when inflation finally gives evidence of being tamed. The housing slowdown caused by the accumulation of higher rates creates a negative wealth effect, keeping the global economy relatively soft. Unemployment rates rise slightly in the second half of 2023, when the full impact of the 2022 rate hikes is felt. China's reopening gives some support to global growth but does not change the overall trajectory. The war in Ukraine, global droughts and high fertilizer prices continue to put upward pressure on food prices. The bear market in equities continues to its resolution in the form of a capitulation event, with a likely bottom in 2023. Sovereign yield curves remain inverted for most of the year. Long rates have risen substantially and present an interesting value proposition, given the growth and monetary policy outlook. Overweight duration and U.S. dollar, underweight equities.
Bearish: sticky inflation and banking turmoil (25%)	Sticky inflation remains above central bank targets, and key rates are hiked higher and faster than the market currently expects. Elevated short rates drive money out of bank deposits and into money market funds, pressuring bank balance sheets and causing more turmoil for U.S. banks. Canadian banks remain in good shape and do not face such hurdles. Central banks keep their key rates at the terminal level well into 2024 and use other programs, such as the Bank Term Funding Program (BTFP) and their discount window, to provide liquidity and to avoid bank runs. The economy slows significantly in the second half of the year, leading to a more material deterioration in employment. The recession is deeper in Europe and, with fiscal space being limited, governments have less room to stimulate the economy. The bear market continues, but drawdowns are larger. The absolute low for equities moves to 2024. The bond bear market is prolonged as market participants are forced to reprice bonds in the wake of higher terminal rates. Underweight equities, duration and fixed income. Overweight cash and U.S. dollar.
Bullish: falling inflation and pivot (10%)	Inflation returns to target more quickly than expected, allowing central banks to start easing in the second half of 2023. The pressure on banks subsides, and bank failures are limited to specific cases in the United States. Less monetary tightening is necessary over all, and terminal rates are slightly lower than currently expected. Most advanced economies avoid a recession. Energy prices are supported by strong demand. Base metal prices enter a new super cycle, given their role in the energy transition. The stock and bond markets rebound as a recession is avoided. Overweight equities, base metals and bonds. Underweight cash and U.S. dollar.
Other (15%)	Banking crisis Escalation or resolution of the conflict in Ukraine. Escalation of tensions between China and the United States. Faster-than-expected global economic slowdown.

About iAGAM

A magnet for top investment talent, iA Global Asset Management is one of Canada's largest asset managers, with over $100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigor and a disciplined, process-driven approach to asset allocation and security selection.

Rooted in history, innovating for the future.

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