iA Global Asset Management

Monthly Macro & Strategy

July 2023

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Highlights

- The S&P 500 experienced a significant bounce since October 2022 lows, with a 20% increase by June 9th, technically ending the bear market.
- AI and technology-focused sectors have driven investor optimism and dominated performance.
- Macroeconomic signals suggest high risks ahead, so investors should remain cautious and closely monitor the economic and financial data.

Has the bear truly left Wall Street?

We have to acknowledge the obvious: so far 2023 hasn't been a year for macro investing.

According to the usual definition, the S&P 500 just exited a bear market phase and is now back in a bull market, having closed on June 9 at a level 20% higher than its October lows.

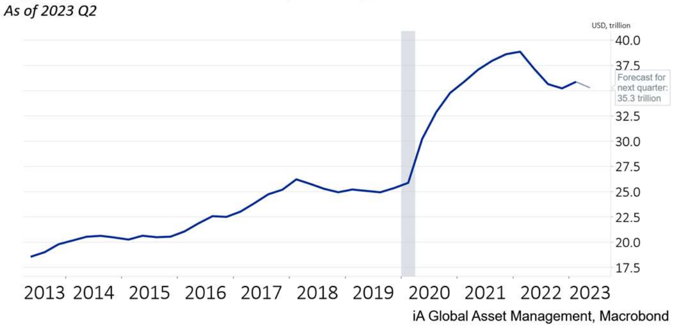
Indices as of June 30, 2023	MTD%	QTD%	YTD%	Δ1Y%
Equity				
S&P 500	6.6%	8.7%	16.9%	19.6%
S&P/TSX	3.4%	1.1%	5.7%	10.4%
NASDAQ	6.5%	15.2%	38.8%	32.0%
MSCI World	5.7%	7.1%	15.1%	18.2%
MSCI EAFE	3.6%	4.3%	12.1%	17.5%
MSCI EM	3.5%	1.8%	5.8%	3.8%
S&P 500 Sectors				
Information Technology	6.5%	16.9%	42.1%	38.8%
Health Care	4.2%	2.5%	-2.3%	3.6%
Consumer Discretionary	12.0%	14.3%	32.3%	23.5%
Financials	6.5%	4.8%	-1.5%	7.2%
Communication Services	2.6%	12.8%	35.6%	16.2%
Industrials	11.2%	6.0%	9.2%	23.0%
Consumer Staples	2.9%	-0.2%	0.0%	3.8%
Energy	6.5%	-1.8%	-7.3%	14.2%
Utilities	1.5%	-3.3%	-7.2%	-6.6%
Real Estate	4.8%	0.8%	1.9%	-7.5%
Materials	10.8%	2.8%	6.6%	12.7%

Liquidity is of course a major part of the current macro financial story. We note that global central banks, despite clear signals about wanting to shrink their balance sheets and to draw liquidity out of the system, actually increased their assets in the first half of the year, which has most likely supported risk appetite. A very basic model suggests that, as defined by liquidity conditions, the recent momentum on Wall Street may have pushed its valuation about 400 points, or 10%, above fair value.

Global Asset Allocation Views (July 2023)

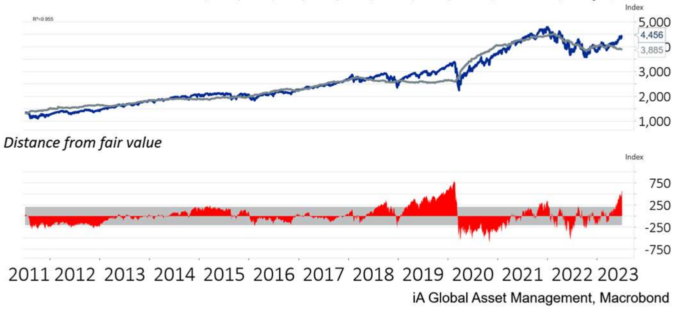
	--	-	N	+	++	Δ
Asset Classes						
Money Market						
Fixed Income						
Equities						
Alternatives						
Relative Equity						
Canadian Equities						
U.S. Equities						↑
International Equities						
EM Equities						
Relative Fixed Income						
Government Bonds						
IG Corporate Bonds						
HY Bonds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

Aggregated Balance Sheets (in USD), Global Central Banks
As of 2023 Q2



S&P 500 vs model predicted by central bank balance sheets

Central banks included are Fed, ECB, BoE, BoJ, SNB, BoC, PBoC, RBA, RBNZ, Riksbank, as of 7/3/2023



This performance was led by a handful of sectors, with the AI theme continuing to be a major contributor to investor optimism. We recognize that optimism about such a theme can create self-sustaining momentum that could push equities higher in the next few months, despite the clear signals we're getting from our macro framework.

Even though we've stayed the course and continue to favour a somewhat cautious stance, we think it might be time for some tactical adjustment to our views; therefore, we've cut in half our underweight position in U.S. equities. We expect this move to stand for only a short period because we sense echoes of 1999, when calling a market peak amid conflicting signals was a perilous task.

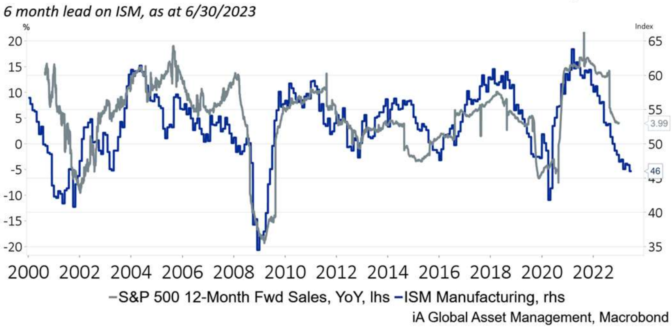
The four most dangerous words in investing: "This time is different"

S&P 500: Earnings Growth vs ISM Manufacturing

6 month lead on ISM, as at 6/30/2023

S&P 500: 12-Month Fwd Sales YoY vs ISM Manufacturing

6 month lead on ISM, as at 6/30/2023



As we've discussed in these pages in recent months, the accumulation of monetary tightening continues to make its way into the system, particularly through the credit channel, and our leading indicators are pointing to weakness that should eventually weigh on market valuations. After all, corporations' ability to increase their sales and earnings is deeply rooted in the business cycle. And, from the macro standpoint, the road ahead looks bumpy.

But we also have to acknowledge that monetary policy works with lags that are both long and unpredictable. As students of history, we firmly believe that it is never different this time; instead, we must be patient long enough to let the inner workings of the economic machine run their course.

Continuing the thread of recent months, we'll now take a deeper dive into the relationship between recessions and bear market bottoms. Last month, we applied one of our go-to mental models to estimate the risks that we are wrong and that a recession could be avoided over the next 24 months in Canada and the United States. We concluded that the odds of a soft landing were low down south but medium in Canada.

One cornerstone of our macro framework is that a bear market is a process, and that the process is not complete until the economy falls into a recession. The table below speaks for itself: recessions tend to be caused by monetary tightening (which acts with lags of 18-24 months), and even though markets tend to be forward looking, the monetary delays are generally longer than the 12-month window of investor foresight. Thus, when central banks start cutting rates in the face of deteriorating economic data, the bear market process is generally not yet complete.

Recession Dates & Market Bottoms		
Recession Begins	S&P 500 Low	Difference In Months
Aug-29	Jun-32	34
May-37	Mar38	10
Feb-45	Mar-45	1
Nov-48	Jun-49	7
Jul-53	Sep-53	2
Aug-57	Oct-57	2
Apr-60	Oct-60	6
Dec-69	May-70	5
Nov-73	Oct-74	11
Jan-80	Mar-80	2
Jul-81	Aug-82	13
Jul-90	Oct-90	3
Mar-01	Oct-02	19
Dec-07	Mar-09	15
Feb-20	Mar-20	1
	Average	9
	Median	6

Defining a recession

Contrary to popular belief (and what is still commonly taught in economics classes), a recession is not defined simply as two consecutive quarters of negative GDP growth.

The work of identifying start and finish dates for recessions is in fact entrusted to committees of experts: the C.D. Howe Institute in Canada and the National Bureau of Economic Research (NBER) in the United States.

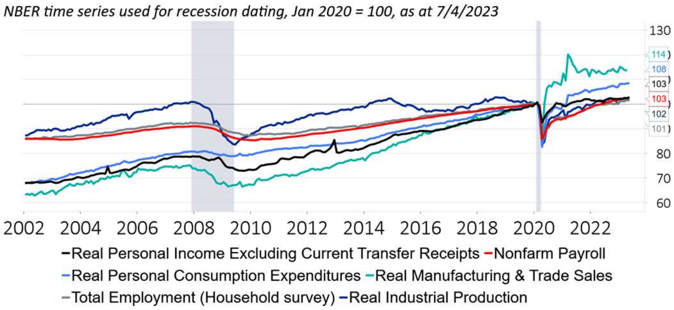
According to the NBER's definition, "a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months.… The determination of the months of peaks and troughs is based on a range of monthly measures of aggregate real economic activity published by the federal statistical agencies. These include real personal income less transfers, nonfarm payroll employment, employment as measured by the household survey, real personal consumption expenditures, wholesale-retail sales adjusted for price changes, and industrial production. There is no fixed rule about what measures contribute information to the process or how they are weighted in our decisions. In recent decades, the two measures we have put the most weight on are real personal income less transfers and nonfarm payroll employment."

As one can infer from the above, no definition of recession is set in stone, and different observers (including markets) can look at the same data and see different things.

When looking at the current state of things, we acknowledge that we are not currently in a recession. In fact, the usual suspects from the NBER's dashboard as well as those followed by the Conference Board seem to suggest that the economic cycle is still doing fine.

U.S.: Recession or not?

NBER time series used for recession dating, Jan 2020 = 100, as at 7/4/2023



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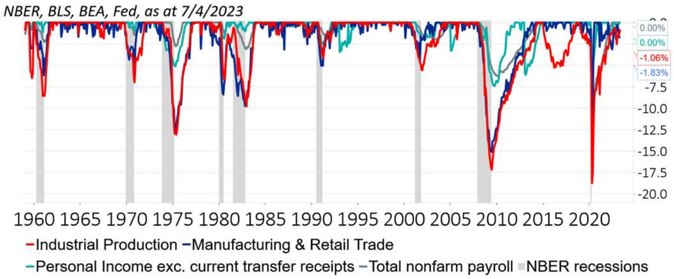
U.S.: Key recession indicators tracked by the Conference Board, % Drawdowns from Peak

NBER, BLS, BEA, Fed, as at 7/4/2023



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If we were truly out of the bear market, it would be the first time in recorded history that the market bottomed out before the economy officially slipped into recession territory. But, looking forward, we see that the pieces are continuing to fall into place for an economic contraction.

Looking forward rather than backward

Our job as investors, to quote the Great One, is to "skate to where the puck is going, not where it has been." Our main leading indicator, which summarizes in a single metric the cumulative amount of global monetary tightening, is pointing toward more global headwinds until the end of the year.

Will this be enough to tip some countries into recession? We continue to see a recession in the U.S. as our base case in the next 12 months but remain more balanced when it comes to Canada because of its massive demographic tailwinds. The most recent Bloomberg survey of economists also suggests that the consensus is circling the second half of 2023 as the most likely time for a U.S. recession.

		U.S.	Canada	Eurozone
Real GDP (QoQ% SAAR)	Q3 2023	-0.5	-0.7	0.4
	Q4 2023	-0.4	0.5	0.7
	Q1 2024	0.8	1.3	0.8
	Q2 2024	1.6	2.0	1.1
Industrial Production (YoY%)	Q3 2023	-1.2	-1.0	-0.5
	Q4 2023	-1.2	-0.1	0.2
	Q1 2024	-1.0	0.3	0.9
	Q2 2024	-0.4	1.3	1.6
Unemployment Rate (%)	Q3 2023	3.8	5.5	6.8
	Q4 2023	4.2	5.8	6.9
	Q1 2024	4.6	5.9	7.0
	Q2 2024	4.7	6.2	6.9

Bloomberg Consensus Survey, as at June 15, 2023

Drawing lessons from history to build a recession checklist

As recession start dates are known only in retrospect, we find it useful to look at a broad list of indicators that can give us a head start when we evaluate the odds of an imminent recession.

Even though history is a useful guide, every cycle has its particularities, and there is no such thing as a perfect checklist for recession start dates. To correct for this deficiency, we tend to focus on a handful of time-tested signals, mostly macro in nature, that have a strong track record of collectively calling shifts in the business cycle. A short list, along with the signals we're getting, is shown below.

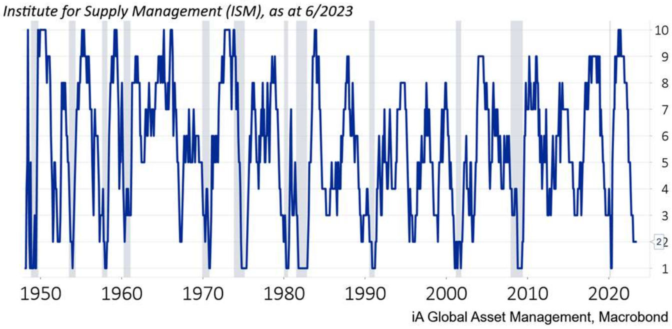
Checklist -- Is a U.S. Recession Coming?

Indicator	Trigger	Current value	Recession signal?
ISM Manufacturing decile	< 4	2	Y
Consumer confidence differential	< -50	-77.1	Y
% U.S. lenders tightening standards	> 40%	46%	Y
NY Fed probability of recession in next 12 months	> 30%	71%	Y
Ratio of Conference Board Leading/Coincident indicators	Steep fall	Steep fall	Y
U.S. Jobless Claims 3M Change in 3M M.A., %	> 10%	>12%	Y
Yield Curve (10Y-2Y) Inverted	< 0%	-0.90%	Y

Even though the U.S. economy may not yet be in recession, our checklist signals are 100% in alignment.

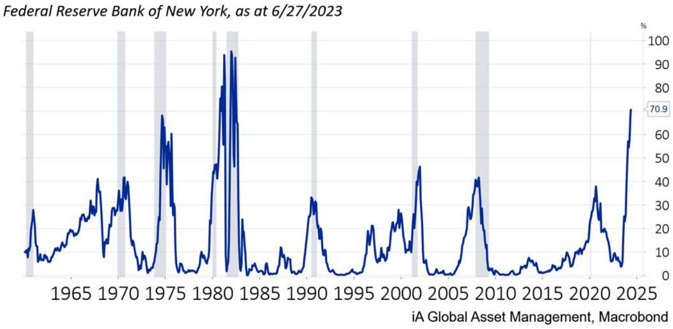
U.S.: ISM Manufacturing PMI Deciles

Institute for Supply Management (ISM), as at 6/2023



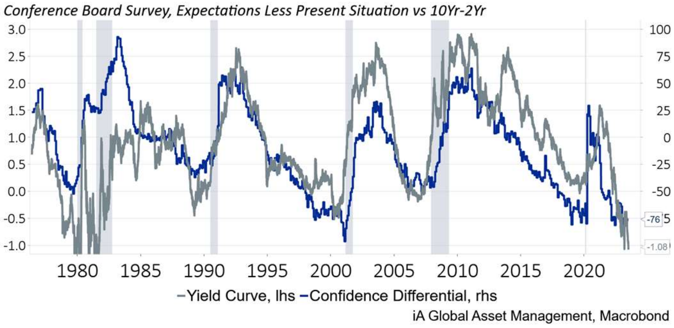
U.S.: Recession Probabilities, Next 12 Months

Federal Reserve Bank of New York, as at 6/27/2023



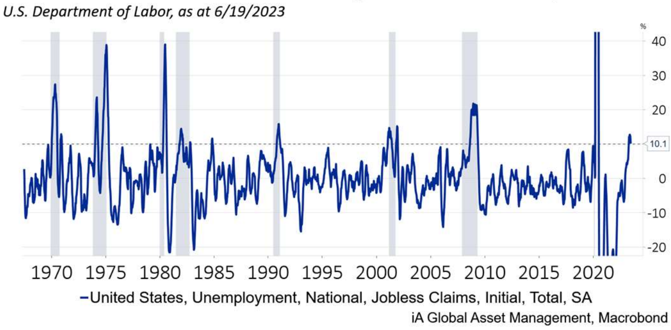
U.S.: Yield Curve vs Consumer Confidence

Conference Board Survey, Expectations Less Present Situation vs 10Yr-2Yr



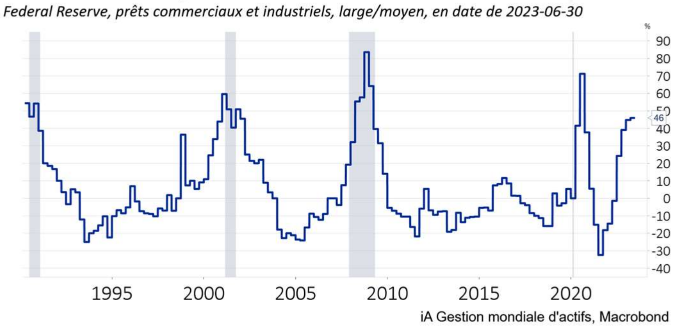
U.S. Jobless Claims: 3-Month Change in 3-Month M.A., %

U.S. Department of Labor, as at 6/19/2023



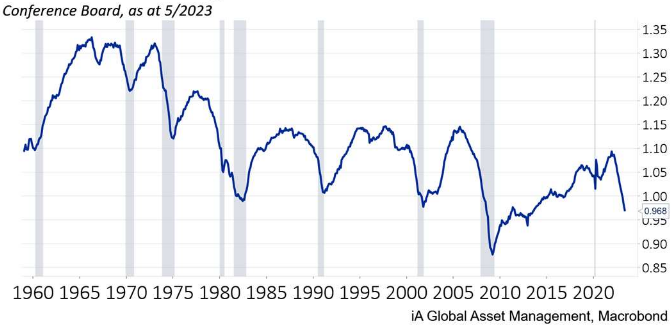
É.-U.: % net de répondants resserrant les conditions de prêts

Federal Reserve, prêts commerciaux et industriels, large/moyen, en date de 2023-06-30



U.S.: Ratio of Leading/Coincident Indicators

Conference Board, as at 5/2023



The conclusion we draw is that 1) if history is clear that no S&P 500 bear market has ever bottomed before a recession was under way and 2) the U.S. economy is clearly not in a recession now, but 3) our signals are pointing toward high risks ahead, we need to maintain our stance of underweighting the U.S. stock market until we're convinced that the bear market process is complete.

The devil's advocate: how large an underweight in U.S. equities?

Given the above analysis, it might seem peculiar to increase our positioning in U.S. equities.

As we stated at the outset, the AI theme is starting to create echoes of 1999, with a clear momentum emerging in tech stocks. We've learned from such episodes that valuations can always get more expensive and that calling a top is a perilous task. Recognizing the short-term momentum, we're inclined to tactically cut the U.S. equity underweight, if only for a short time.

Depending on how long it takes for monetary policy to work its way through the system, we could also see a rotation from tech to non-tech in the coming months, which could keep the market afloat despite higher rates.

Central banks could also be tempted to slow or even temporarily reverse their drainage of liquidity and, as we saw in the first quarter, support risk appetite. In the same vein, China is discussing the potential for stimulative measures (the PBoC is already at work cutting rates), and the Fed might be tempted to provide additional support if more banks face difficulties in the coming months.

To keep the portfolios properly exposed to sources of growth, we decided to cut the U.S. equity underweight from (--) to (-) this month, at the expense of cash. We think there may be a tactical opportunity to take advantage of the momentum on the U.S. markets before rate hikes begin to bite, affecting growth and return outlooks alike.

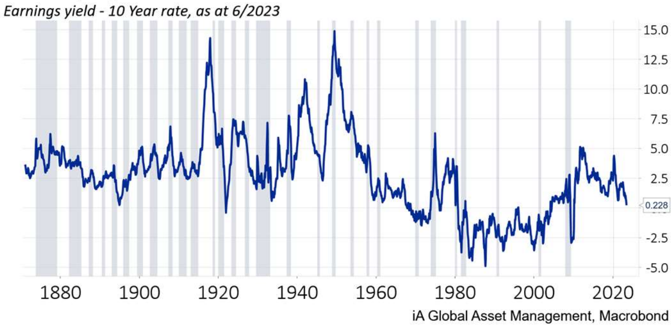
Bottom line

Equities

Our overall stance on equities remains slightly cautious, even though we recognize the disconnection between our macro signals and the momentum that has taken over the markets.

U.S.: Equity Risk Premium

Earnings yield - 10 Year rate, as at 6/2023



Index	As of June 30, 2023	
	Current NTM Fwd P/E	Current historical percentile
NASDAQ	27.3	86
Russell 2000	22.3	71
S&P 500	19.4	83
Nikkei 225	18.3	73
MSCI ACWI	16.3	77
S&P/TSX	13.4	20
S&P/TSX Small Cap	12.6	6
MSCI EM Ex-China	13.2	82
MSCI EAFE	13.0	38
MSCI ACWI Ex-U.S.	12.7	46
MSCI Europe	12.5	42
MSCI EM	12.2	39
MSCI China	10.0	31

Even though valuations are not tightly linked to short-term performance, the valuation gap between the U.S. indexes and the rest of the world has become even larger; thus, we continue to keep a structural underweight position on Wall Street.

The equity risk premium tells us that U.S. stocks are the most expensive they've been relative to 10-year Treasuries since the global financial crisis, but the relative valuation still compares advantageously when we look at the period from 1980-2000. Given the long-term relationships at the core of our macro framework, we tend to expect more deterioration in sales and earnings growth by year-end, meaning that the valuation should continue to grow uncomfortably higher.

Again using history as a guide, we can show that recessions have not been kind to earnings on Wall Street. As we can see in the table below, S&P 500 earnings have fallen by 31.6% on average (median of 22.0%) during past recessions. While the brand of recession we're expecting could be much milder than many in this sample, we would be surprised if businesses were able to shield their earnings altogether this time.

S&P 500 During Prior Bear Market and Economic Earnings Cycles & Declines Recessions			
Full-Cycle Period	Recession Period	Earnings Declines	Associated Bear Market Decline
1Q'28 - 1Q'33	3Q'29 - 1Q'33	-74.5 %	-86.2 %
2Q'33 - 2Q'38	3Q'37-2Q'38	-49.2 %	-60.0 %
1Q'46 - 4Q'49	4Q'48 - 4Q'49	-3.3 %	-29.6 %
3Q'54-20'58	3Q'57-2Q'58	-22.0 %	-21.6 %
2Q'61 - 4Q'70	4Q'69-4Q'70	-12.9 %	-36.1 %
1Q'71 - 1Q'75	4Q'73 - 1Q'75	-14.8 %	-48.2 %
4Q'80-4Q'82	3Q'81-4Q'82	-19.1 %	-27.1 %
1Q'83-1Q'91	3Q'90 - 1Q'91	-36.7 %	-33.5 %
2Q'91 - 4Q'01	1Q'01 - 4Q'01	-54.0 %	-49.1 %
1Q'02-2Q'09	4Q'07-2Q'09	-91.9 %	-56.8 %
3Q'09-2Q'20	1Q'20-2Q'20	-32.5 %	-33.9 %
	Average	-31.6 %	41.3 %
	Median	-22.0 %	-35.0 %

Looking under the hood, we note the lack of breadth on Wall Street despite the more than 20% bounce since the October 2022 lows. The smoothed share of stocks trading above their 200-day moving average is only about 50%, a figure that we would like to see move higher before we change our strategic stance.

S&P 500: % Members Above 200D MA

Bloomberg, 3M M.A., as at 7/3/2023. Shaded areas = bear markets

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Fixed income

During the month, we maintained an overweight in long-duration sovereign bonds along with an underweight in high-yield corporate credit.

Government bonds					
As at 2023-06-30	Yield				
Country	3M	2Y	5Y	10Y	30Y
U.S.	5.32%	4.94%	4.19%	3.85%	3.86%
Canada	4.91%	4.64%	3.75%	3.33%	3.13%
Germany	3.34%	3.22%	2.60%	2.45%	2.45%
Japan	-0.11%	-0.07%	0.06%	0.38%	1.23%
China	1.62%	2.09%	2.42%	2.65%	3.02%

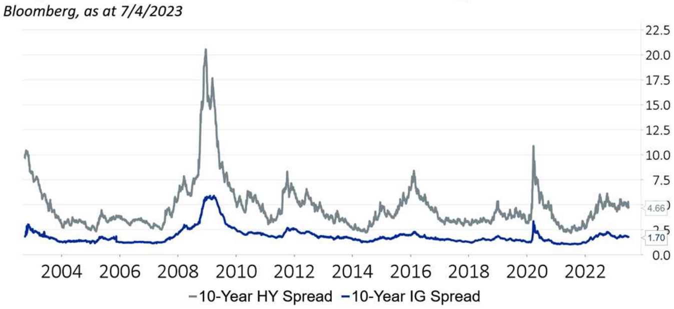
Corporate bonds					
As at 2023-06-30	Spread (bps)	52 Weeks High	52 Weeks Low	Chg 3 Mo	All-in rate
US IG	122	165	115	-14	5.51%
US HY	387	583	385	-67	8.51%
CAN IG	152	180	141	-13	5.35%
CAN HY	360	431	330	-51	7.66%
EM	358	496	353	-39	-

Both U.S. and Canadian 10-year yields are sitting near 15-year highs and offer an appealing value proposition relative to the previous decade. Even though the “there is no alternative” (TINA) concept was omnipresent in the past decade, it now makes ample sense to hold a more balanced portfolio, with the fixed-income portion offering attractive returns, instead of mostly diversification benefits.

In the corporate credit space, all-in rates have also become highly generous: more than 5% for investment-grade products and about 8% for high-yield. Even though we recognize the attractiveness of these rates, we think the expected returns, corrected for swings in capital gains, favour the higher-quality end of the spectrum, as high-yield spreads tend to widen to a range of 800-1,000 basis points (bps) in periods of economic turbulence. If our macro framework is right and we see volatility return to the markets, higher-quality bonds should outperform despite the lower spreads.

Corporate Spreads: Investment Grade and High Yield

Bloomberg, as at 7/4/2023



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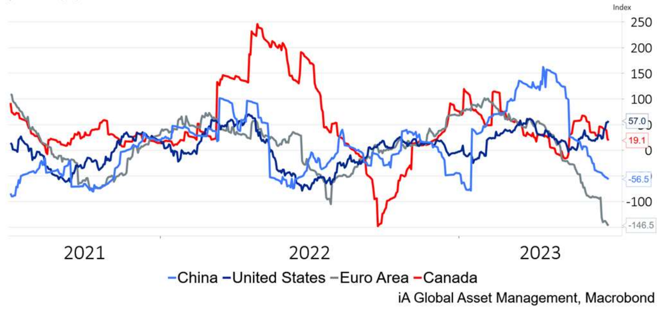
Commodities and foreign exchange

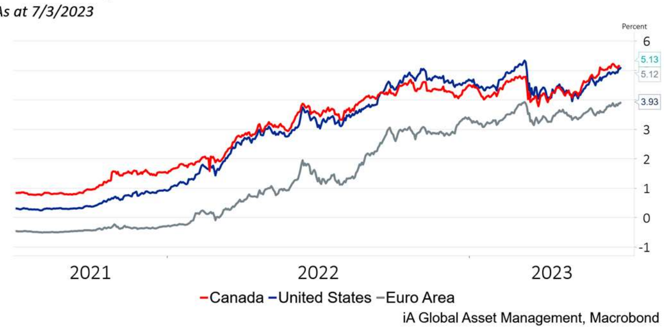
The U.S. dollar is expected to see increased strength in second half of the year, after the month of May established a favourable background for it. With an undercurrent of slower momentum in Europe and China, the greenback is expected to benefit and retain its edge, particularly if volatility returns to risk assets.

Economic Surprises: U.S., Canada, China & EU
Citi, as at 7/3/2023



The support for the U.S. dollar from liquidity factors is expected to continue, albeit in a more indirect and low-key manner. While the performance of G10 foreign exchange has thus far hinged largely on disparities in interest rates, such influences could wane as growth-inflation patterns become less synchronized.

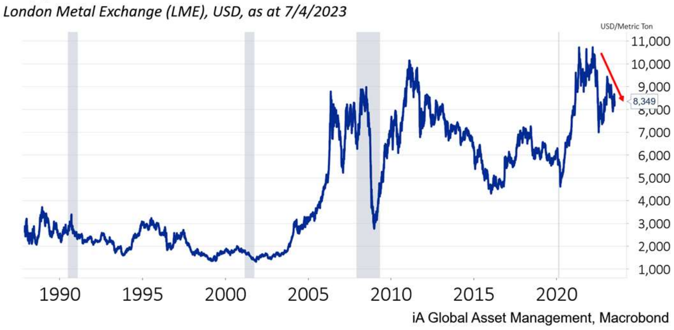
2-Year Swap Rates
As at 7/3/2023



The copper-to-gold ratio turned upward in mid-May, with the removal of uncertainty over the debt ceiling deal. We expect the coming quarters to bring renewed interest in gold as a source of diversification when/if the equity rally sputters. Copper remains under pressure since the highs of early 2022, and our leading macro indicators suggest that more downside is possible until we see clear signs that 1) the global economy has fully adjusted to higher rates and 2) China's manufacturing activity has picked up.

Copper to Gold Ratio
As at 7/3/2023

Copper Price
London Metal Exchange (LME), USD, as at 7/4/2023



The Canadian dollar has outperformed the greenback over the past month and seems to be breaking out of its recent range, pushed by stronger 2-year swap rates and economic resilience, as well as momentum in risk assets. We remain neutral on the loonie for now, because lasting outperformance for commodity-linked currencies tends to be concentrated in periods when the global economic cycle has clearly bottomed. We expect strong outperformance from the Canadian dollar in the next few years but think it might be too early to put an overweight trade in place.

FX Rates: CAD/USD
As of 7/4/2023

Market Performance

(Total return, in local currency)

As of June 30, 2023	MTD%	QTD%	YTD%	Δ1Y%
Equity				
S&P 500	6.6%	8.7%	16.9%	19.6%
S&P/TSX	3.4%	1.1%	5.7%	10.4%
NASDAQ	6.5%	15.2%	38.8%	32.0%
MSCI World	5.7%	7.1%	15.1%	18.2%
MSCI EAFE	3.6%	4.3%	12.1%	17.5%
MSCI EM	3.5%	1.8%	5.8%	3.8%
Commodities				
Gold	-2.2%	-2.5%	5.2%	6.2%
CRB	1.2%	-0.5%	-1.3%	-8.2%
WTI	3.7%	-6.6%	-12.0%	-33.2%
Fixed Income				
FTSE Canada Universe Bond Index	0.0%	-0.7%	2.5%	3.1%
FTSE Canada Long Term Bond Index	1.1%	0.6%	5.4%	5.9%
FTSE Canada Corporate Bond Index	0.2%	0.2%	3.0%	4.2%
Currency				
DXY	-1.4%	0.4%	-0.6%	-1.7%
USDCAD	-2.4%	-2.0%	-2.3%	2.9%
USDEUR	-2.0%	-0.6%	-1.9%	-3.9%
USDJPY	3.6%	8.6%	10.1%	6.3%
USDGBP	-2.1%	-2.9%	-4.9%	-4.1%

As of June 30, 2023	MTD%	QTD%	YTD%	Δ1Y%
S&P/TSX Sectors				
Financials	4.2%	2.0%	3.7%	5.9%
Energy	3.9%	0.0%	-2.3%	0.8%
Industrials	4.8%	2.1%	8.7%	21.7%
Materials	0.8%	-6.9%	0.6%	11.6%
Information Technology	4.4%	16.6%	47.5%	58.3%
Utilities	-2.3%	-1.5%	5.2%	-7.1%
Communication Services	1.1%	0.8%	3.8%	0.7%
Consumer Staples	1.5%	-2.6%	5.0%	16.9%
Consumer Discretionary	9.1%	6.3%	11.3%	26.2%
Real Estate	0.7%	-2.8%	2.8%	3.0%
Health Care	-2.0%	0.5%	1.3%	-15.5%
S&P 500 Sectors				
Information Technology	6.5%	16.9%	42.1%	38.8%
Health Care	4.2%	2.5%	-2.3%	3.6%
Consumer Discretionary	12.0%	14.3%	32.3%	23.5%
Financials	6.5%	4.8%	-1.5%	7.2%
Communication Services	2.6%	12.8%	35.6%	16.2%
Industrials	11.2%	6.0%	9.2%	23.0%
Consumer Staples	2.9%	-0.2%	0.0%	3.8%
Energy	6.5%	-1.8%	-7.3%	14.2%
Utilities	1.5%	-3.3%	-7.2%	-6.6%
Real Estate	4.8%	0.8%	1.9%	-7.5%
Materials	10.8%	2.8%	6.6%	12.7%

12-month market scenarios (as of July 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.
