



MAIN SCENARIO

GLOBAL ECONOMIC REBOUND

PROBABILITY 50%



It goes without saying that the coronavirus pandemic poses notable downside risks as new global cases rise exponentially and as government efforts to contain its spread sparks a cessation in economic activity. As witnessed across Asia, severe economic pain needs to be assumed in order to ensure that the virus is contained. We are now experiencing this same trade-off across Europe and North America. With Europe the new epicenter of transmission and a growing number of cases in the US, developed countries are now pursuing these much-needed draconian measures to combat the virus - which has sparked a painful growth outcome in the near-term. Undoubtedly, growth will deteriorate at a dreadful pace during the second quarter of 2020, which will be the eye of the storm from an economic perspective. If we should discover that there's an existing vaccine that's proven effective in dampening the pandemic and should aggressive mitigation efforts ultimately prove successful in curbing the number of new cases in Western economies (as China and South Korea have been able to do), this should bring about a certain degree of confidence that we are slowly and gradually regaining control over the propagation of the disease and its potential growth impacts - which should help to alleviate the strain on risky assets. As the outbreak recedes and isolationism abates in accordance, economic activity will resume to a certain extent. Growth in the third quarter will be virtually flat, while the fourth quarter will see a dramatic snapback in activity as unleashed pent-up demand and the lagged impact of massive monetary and fiscal stimulus amplify the late-year rebound.

SCENARIO 2

PROTRACTED SLOWDOWN

PROBABILITY 50%



In our alternate scenario, failure to contain the global pandemic in the coming months or to find a near-term cure morphs into an extended period of global recession and a prolonged bear market in stocks. In this calamitous scenario, virus mitigation efforts from governments that include quarantines, work stoppages, and restricted mobility fuels a steep contraction in global economic activity, with broad based weakness across both the consumer and business sectors. Moreover, heightened levels of fear and panic keep consumers isolated and reluctant to spend for an extended period of time. These factors become self-fulfilling in that the loss of business revenues and potential for corporate bankruptcies results in job losses that further dampen spending intensions and economic activity well beyond the lifespan of the epidemic - with added stress in the credit markets and tighter financial conditions triggering a more protracted decline in economic activity. If the cure for COVID-19 will come from a new vaccine (which would take approximately 12-18 months), the population will remain firmly in lockdown-mode and the steep contraction in the second quarter will extend itself through to mid-2021 until a vaccine is available, which would inevitably prolong the severe rout in risky assets.

TACTICAL ASSET ALLOCATION UPDATE



FORECASTS FOR THE NEXT 12 MONTHS				
SCENARIOS	MARCH 20, 2020	GLOBAL ECONOMIC REBOUND	PROTRACTED SLOWDOWN	
PROBABILITY		50%	50%	
GDP GROWTH (Y/Y)				
Global	1.00%	1.50%	-7.00%	
Canada	1.90%	0.00%	-10.00%	
U.S.	2.30%	0.00%	-10.00%	
INFLATION (HEADLINE Y/Y)				
Canada	2.20%	1.00%	-1.00%	
U.S.	2.30%	1.00%	-1.00%	
SHORT-TERM RATES				
Bank of Canada	0.75%	0.25%	0.00%	
Federal Reserve	0.25%	0.25%	0.00%	
10-YEAR RATES				
Canada Government	0.87%	1.25%	0.50%	
US Government	0.85%	1.25%	0.50%	
PROFIT GROWTH (12 MONTHS FORWARD)				
Canada	6.1%	-8.8%	-28.0%	
U.S.	8.3%	-2.6%	-26.9%	
EAFE	4.7%	-9.0%	-25.6%	
EM	6.5%	-9.2%	-30.2%	
P/E (FORWARD 12 MONTHS)				
Canada	10.7X	15.0X	11.0X	
U.S.	13.0X	18.0X	13.0X	
EAFE	11.0X	15.5X	10.0X	
EM	10.5X	15.0X	10.0X	
CURRENCIES				
CAD/USD	0.70	0.75	0.60	
EUR/USD	1.07	1.16	1.05	
USD/JPY	110.93	110.00	90.00	
COMMODITIES				
Oil (WTI, USD/barrel)	22.43	40.00	20.00	

Discussions regarding potential future events and their impact on the markets are based solely on historical information and Fiera Capital's estimates and/or opinions, and are provided for illustrative purposes only. Expected returns are hypothetical estimates of long-term returns of economic asset classes based on statistical models and do not represent the returns of an actual investment. Actual returns will vary. Models have limitations and may not be relied upon to make predictions of future performance of any account.

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MATRIX OF EXPECTED RETURNS

SCENARIOS	GLOBAL ECONOMIC REBOUND	PROTRACTED SLOWDOWN
PROBABILITY	50%	50%
Money Market	0.5%	0.4%
Canadian Bonds	-0.4%	5.2%
Canadian Equity	20.2%	-30.4%
U.S. Equity	16.0%	-21.4%
International Equity	13.6%	-25.0%
Emerging Market Equity	12.7%	-27.7%
Real Assets	4.0%	-8.0%

CURRENT STRATEGY¹

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	ALLOCATION	RELATIVE
Money Market	0.0%	5.0%	25.0%	Neutral	5.0%	0.0%
Canadian Bonds	5.0%	25.0%	45.0%	Underweight	10.0%	-15.0%
Canadian Equity	10.0%	20.0%	30.0%	Neutral	20.0%	0.0%
U.S. Equity	0.0%	10.0%	20.0%	Neutral	10.0%	0.0%
International Equity	0.0%	10.0%	20.0%	Neutral	10.0%	0.0%
Emerging Markets Equity	0.0%	5.0%	15.0%	Neutral	5.0%	0.0%
Real Assets	5.0%	25.0%	45.0%	Overweight	40.0%	+15.0%

¹ Based on a 100 basis point value added objective. The benchmark employed here is based on a model portfolio and for illustrative purposes only. Individual client benchmarks are employed in the management of their respective portfolios.



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