



CIBC  
Wood Gundy

Hobson Chahal  
Advisory Group

# Parkland County

*Economic and Investment Update  
October 2020*

**Presenters:**

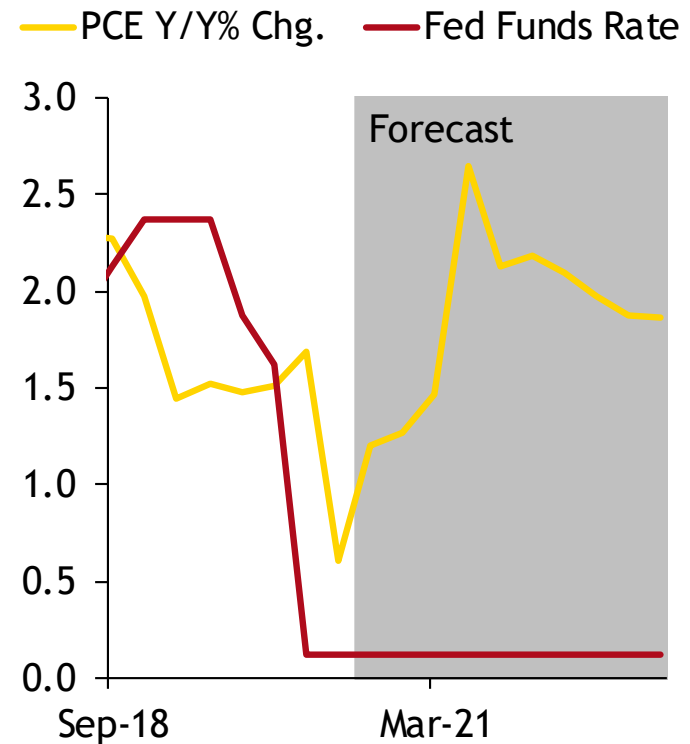
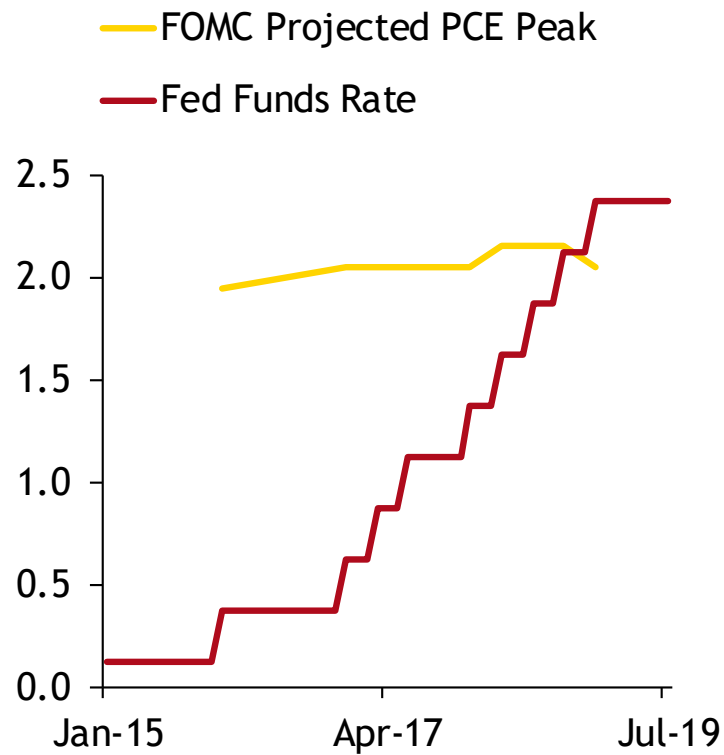
James Hobson, CFA, Investment Advisor, Portfolio Manager

Charet Chahal, CFA, Investment Advisor, Portfolio Manager



# Monetary Policy Response

- US Federal Reserve hiked interest rates while expecting only 2.00% inflation
- It will be more patient going forward



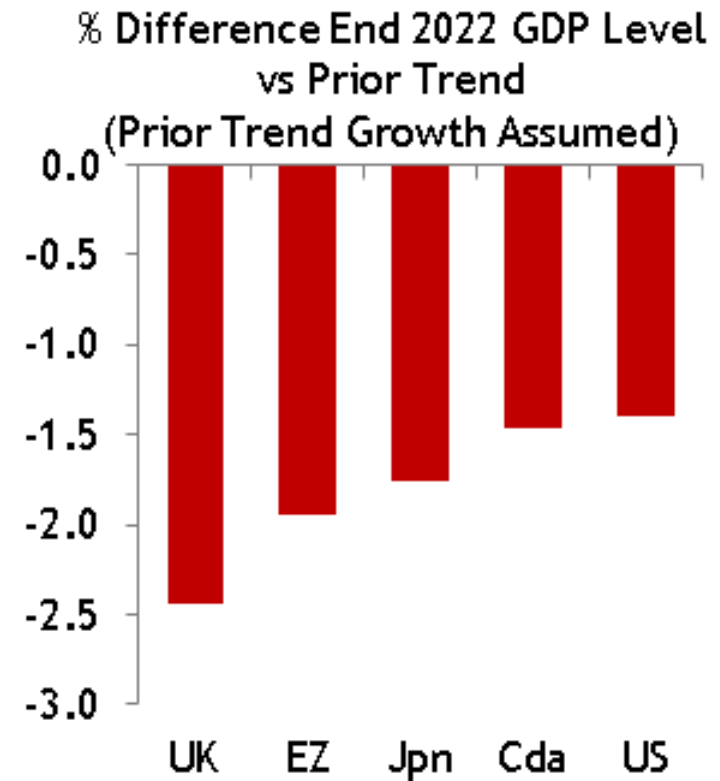
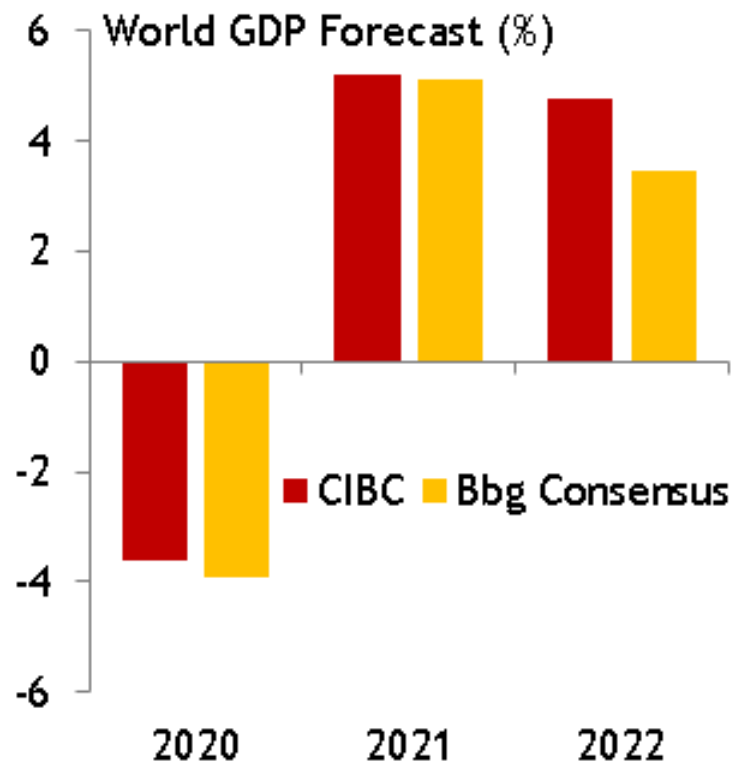
Source: Federal Reserve, Haver Analytics, CIBC

# Interest and Exchange Rate Forecast

		2020	2021				2022		
END OF PERIOD:		15-Sep	Dec	Mar	Jun	Sep	Dec	Jun	Dec
<u>CDA</u>	Overnight target rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	98-Day Treasury Bills	0.14	0.25	0.25	0.35	0.35	0.35	0.50	0.75
	2-Year Gov't Bond	0.26	0.35	0.35	0.40	0.40	0.65	0.50	1.00
	10-Year Gov't Bond	0.55	0.75	0.80	0.85	0.85	1.25	1.20	1.40
	30-Year Gov't Bond	1.07	1.20	1.30	1.40	1.50	1.80	1.60	1.65
<u>U.S.</u>	Federal Funds Rate	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
	91-Day Treasury Bills	0.10	0.20	0.25	0.25	0.30	0.50	0.45	0.75
	2-Year Gov't Note	0.14	0.25	0.30	0.30	0.35	0.55	0.50	0.80
	10-Year Gov't Note	0.67	0.80	1.00	1.10	1.25	1.45	1.35	1.55
	30-Year Gov't Bond	1.42	1.55	1.70	1.75	1.85	2.20	2.05	2.10
Canada - US T-Bill Spread		0.04	0.05	0.00	0.10	0.05	-0.15	0.05	0.00
Canada - US 10-Year Bond Spread		-0.12	-0.05	-0.20	-0.25	-0.40	-0.20	-0.15	-0.15
Canada Yield Curve (10-Year — 2-Year)		0.29	0.40	0.45	0.45	0.45	0.60	0.70	0.40
US Yield Curve (10-Year — 2-Year)		0.54	0.55	0.70	0.80	0.90	0.90	0.85	0.75
EXCHANGE RATES	CADUSD	0.76	0.77	0.76	0.75	0.75	0.74	0.71	0.72
	USDCAD	1.32	1.30	1.32	1.33	1.34	1.36	1.40	1.39
	USDJPY	105	103	101	100	100	99	99	99
	EURUSD	1.18	1.17	1.17	1.18	1.19	1.20	1.20	1.20
	GBPUSD	1.29	1.30	1.30	1.31	1.31	1.32	1.32	1.33
	AUDUSD	0.73	0.71	0.72	0.74	0.74	0.75	0.76	0.77
	USDCHF	0.91	0.92	0.92	0.92	0.91	0.91	0.90	0.89
	USDBRL	5.29	5.10	5.00	5.20	5.00	4.80	4.80	4.50
	USDMXN	21.1	22.0	21.0	20.5	20.5	20.0	19.5	19.0

# Recovery?

- Global GDP to beat consensus estimates by 2022, according to CIBC Economics
- Still not a full recovery



# World GDP Growth Forecast

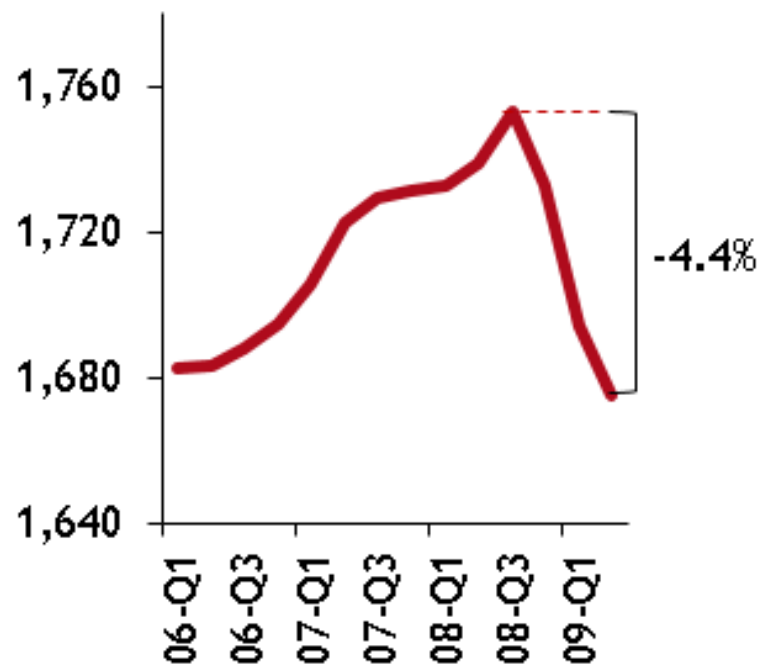
	2017A	2018A	2019A	2020F	2021F	2022F
<b>World*</b>	3.9	3.6	2.9	-3.5	5.2	4.7
<b>US</b>	2.3	3.0	2.2	-3.9	3.5	4.3
<b>Canada</b>	3.2	2.0	1.7	-5.6	4.0	4.8
<b>Euroland</b>	2.4	1.9	1.3	-8.0	4.6	3.9
<b>UK</b>	1.9	1.3	1.5	-11.4	5.9	6.4
<b>Japan</b>	2.2	0.3	0.7	-5.5	2.3	2.5
<b>China</b>	6.9	6.7	6.1	1.6	8.8	6.2

*\* at Purchasing Power Parity*

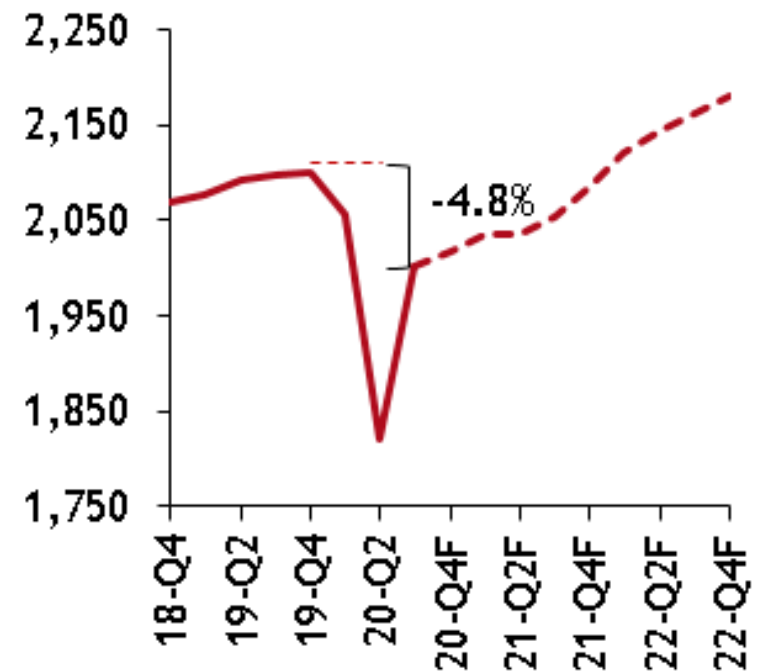
# Canada

- “Recovering” to the darkest days of the Great Recession

Real GDP SAAR \$Bn Ch. 2012

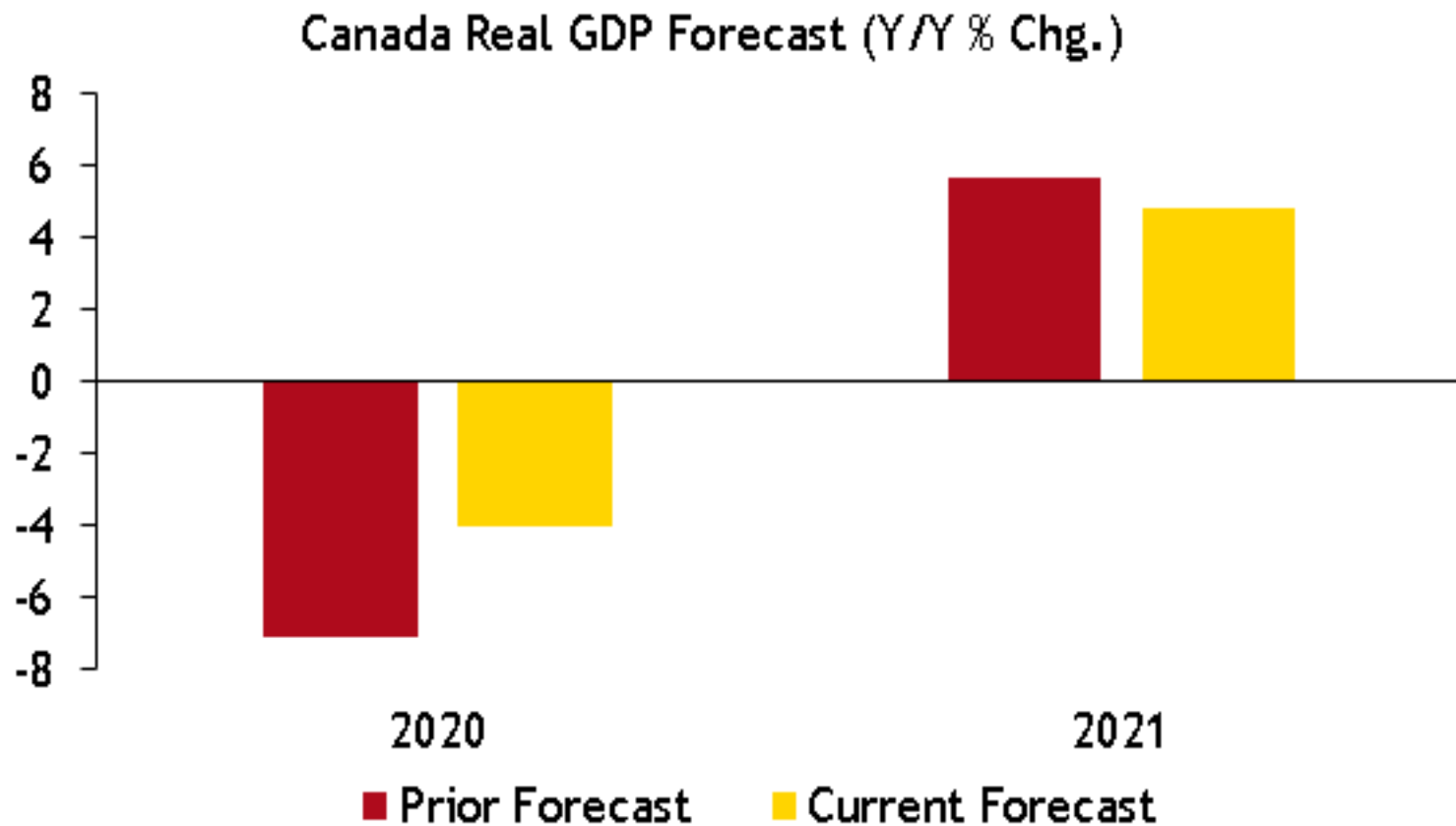


Real GDP SAAR \$Bn Ch. 2012



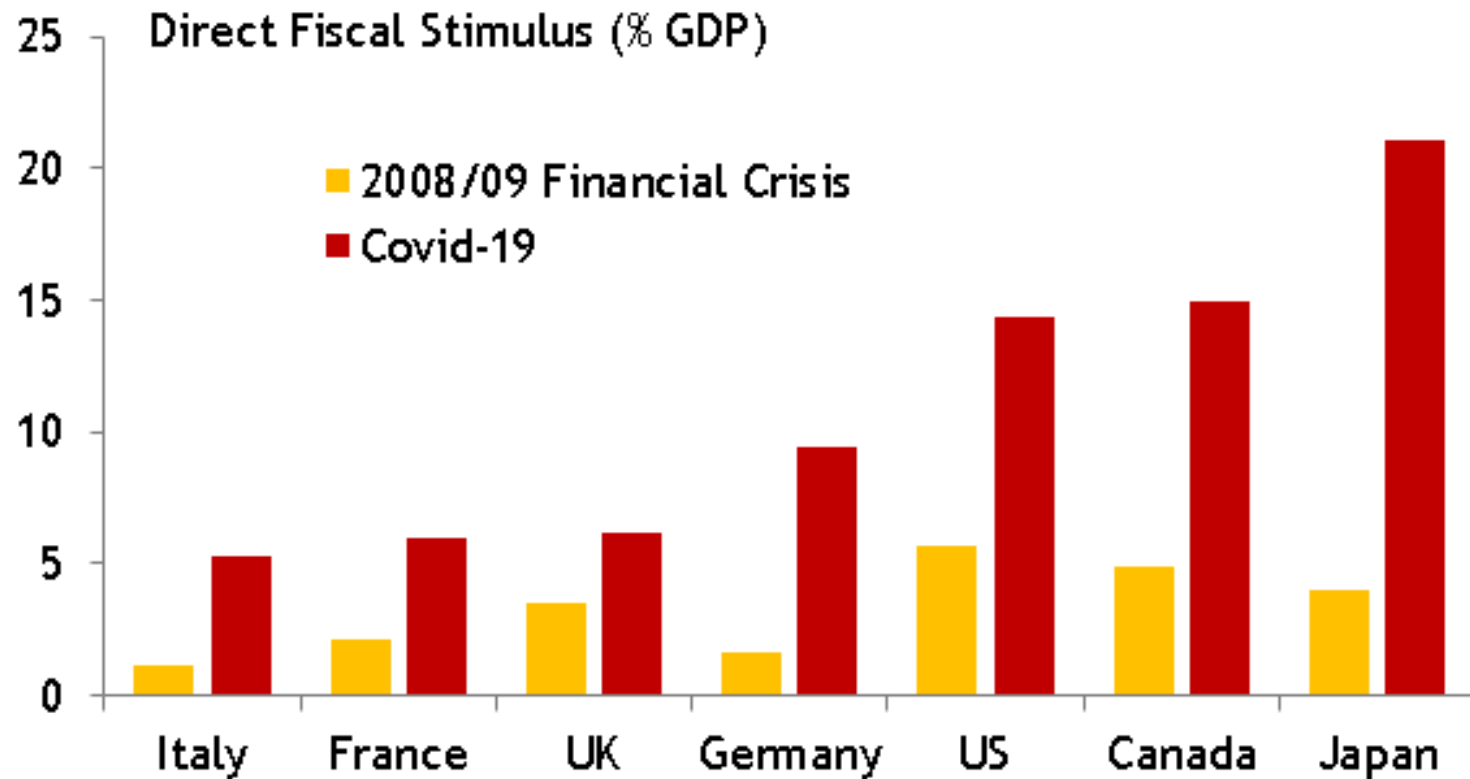
# Canada

- Canada's economy has performed better than initially expected



# Fiscal Stimulus

- Fiscal stimulus has been large relative to the 2008/2009 financial crisis

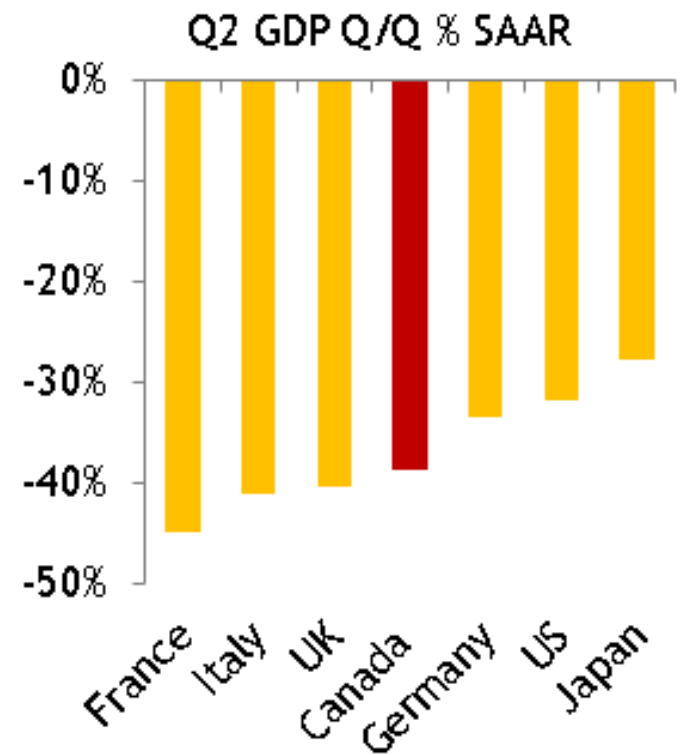
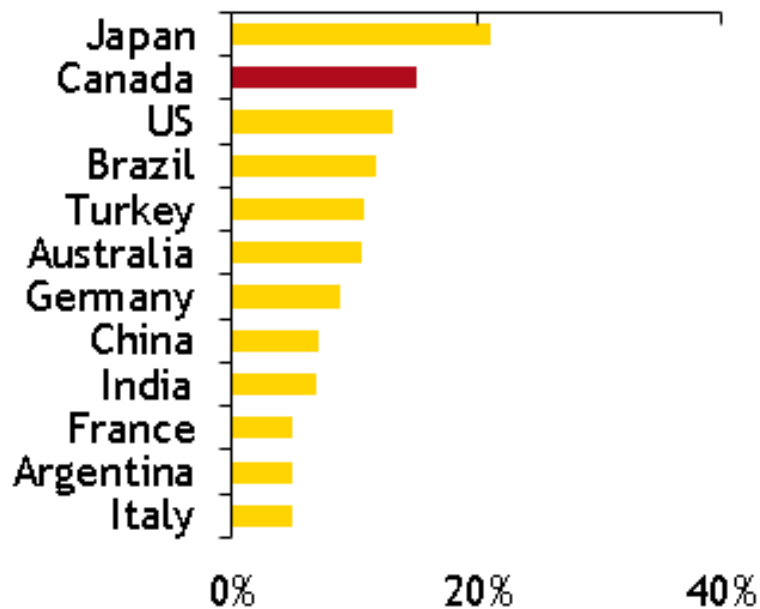




# Fiscal Stimulus

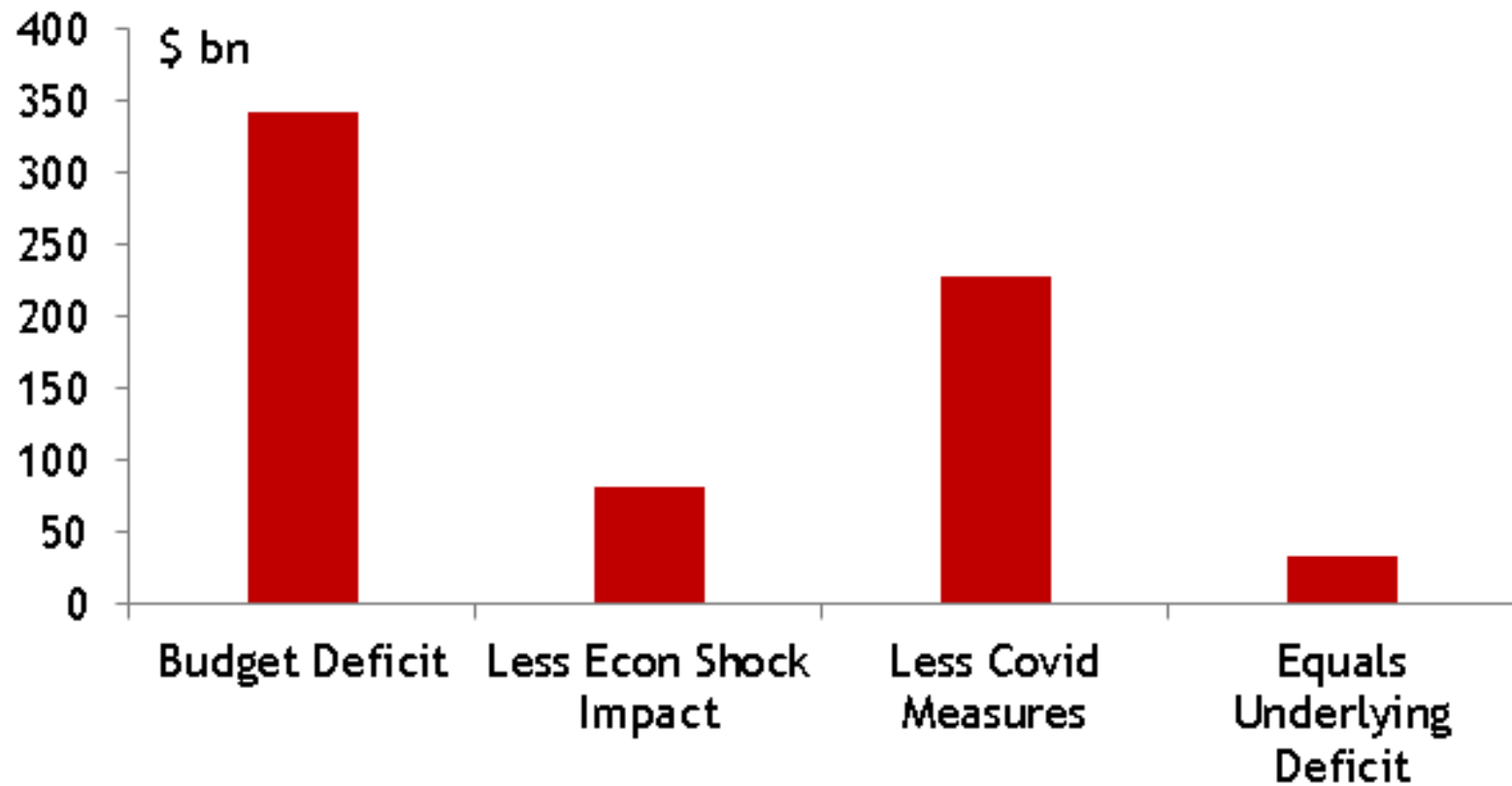
- Canada hasn't shied away from using fiscal firepower

Value of Covid-19 Fiscal Stimulus Packages in G20 countries as of July 2020, as a Share of GDP



# Deficits

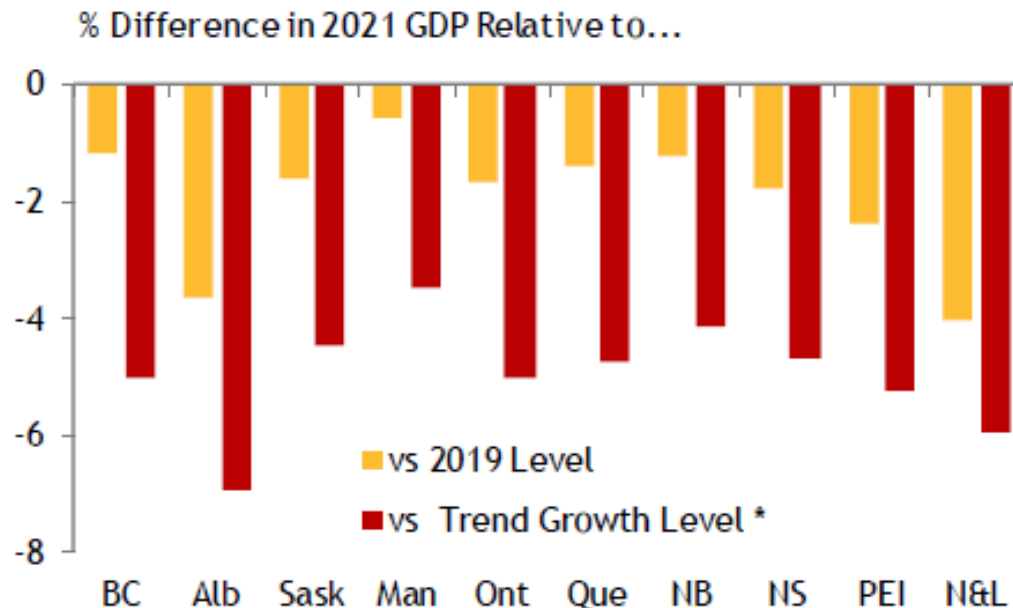
- Canada's deficit largely due to COVID response measures



# Provincial Outlook

- Provincial rates of contraction less-severe than initially forecast in June
- Uncertain outlook with COVID restrictions resurfacing in some provinces

## Real GDP Still Below 2019 Level and Well Below Trend in 2021



\*Based on 2% trend for BC, 1.75% Alb/Ont/Que, 1.5% Man/Sask/NB/NS/PEI, 1.0% N&L

Source: Statistics Canada, CIBC

# Provincial Outlook

- Alberta suffers double shock of lockdowns and collapse in oil prices
- Strong rebound projected for 2022

Table 1

**Provincial Forecast Table**

	Real GDP Y/Y % Chg				Nominal GDP Y/Y % Chg				Unemployment Rate %			
	2019E	2020F	2021F	2022F	2019F	2020F	2021F	2022F	2019A	2020F	2021F	2022F
BC	2.8	-5.3	4.4	4.2	4.7	-3.7	6.3	6.2	4.7	9.8	8.7	6.5
Alta	-0.6	-7.5	4.2	6.1	1.4	-13.0	7.4	9.9	6.9	11.5	10.5	8.4
Sask	-0.8	-5.0	3.6	4.5	1.2	-9.5	6.1	7.7	5.4	8.4	6.8	5.8
Man	1.0	-4.0	3.6	3.6	2.9	-2.4	5.5	5.5	5.3	8.0	6.3	5.4
Ont	1.9	-5.5	4.0	4.7	3.8	-3.9	5.9	6.7	5.6	9.5	8.2	6.9
Qué	2.7	-5.3	4.1	4.6	4.6	-3.7	6.0	6.6	5.1	9.0	7.7	6.2
NB	1.0	-4.3	3.2	4.2	2.8	-2.7	5.1	6.1	8.0	9.5	8.7	8.2
NS	2.1	-5.0	3.4	4.9	3.9	-3.4	5.3	6.8	7.2	10.1	9.1	7.7
PEI	4.5	-5.4	3.2	5.2	6.3	-3.8	5.1	7.1	8.8	10.8	9.7	9.0
N&L	4.0	-7.8	4.1	5.9	6.0	-12.8	6.9	9.3	11.9	14.1	12.7	12.4
<b>Canada</b>	<b>1.7</b>	<b>-5.6</b>	<b>4.0</b>	<b>4.8</b>	<b>3.6</b>	<b>-5.4</b>	<b>6.1</b>	<b>7.0</b>	<b>5.7</b>	<b>9.7</b>	<b>8.4</b>	<b>6.9</b>

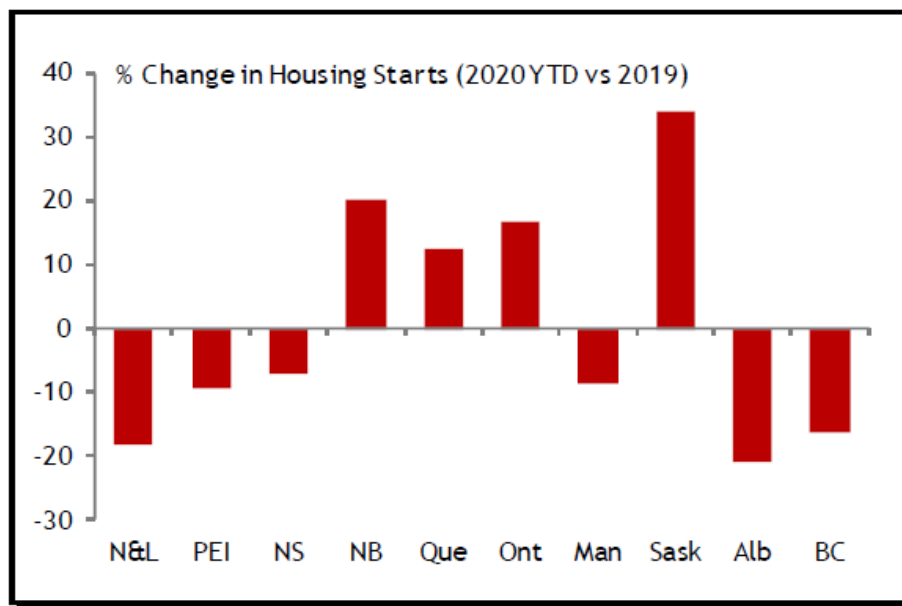
Source: Statistics Canada, CMHC, CIBC

# Alberta Credit Rating

- Moody's downgrades Alberta credit rating; DBRS holds AA(low) with negative outlook
- Forecast of multiple years of material deficits and elevated debt burden
- Twin economic shocks of pandemic and subsequent collapse in oil prices cited
- Highest forecasted deficit of any province at 57% of revenues in 2020/2021
- Accelerated capital spending plan initiated by the province to boost stimulus
- -24.2bln deficit more than twice size of the largest recorded since the financial crisis
- Total debt burden relative to revenues could reach 300% over next two years

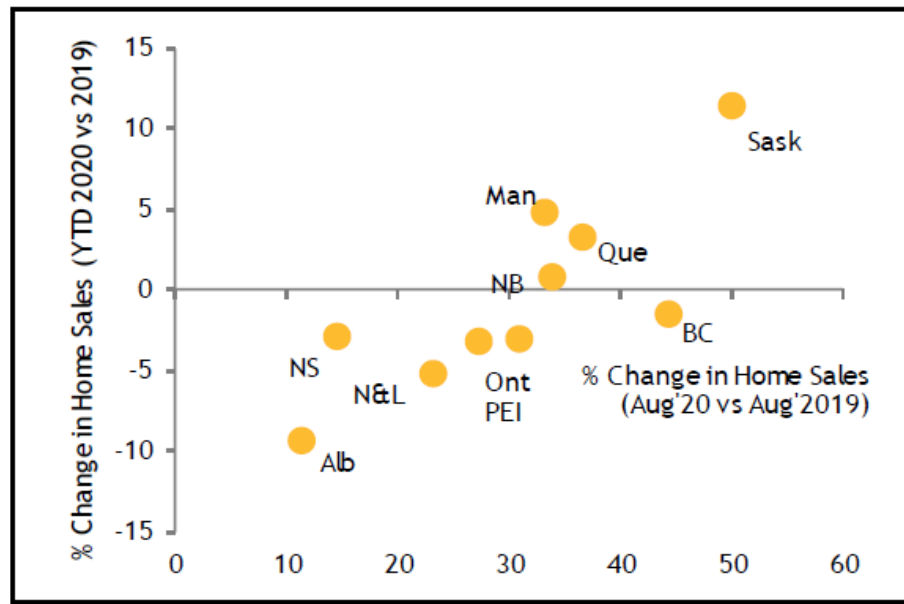
# Housing

## Housing Starts Now Up on Year-to-Date Basis in Some Areas



Source: CMHC, CIBC

## Home Sales Now Higher Year-to-Date Versus 2019 in Some Provinces



Source: CREA, CIBC

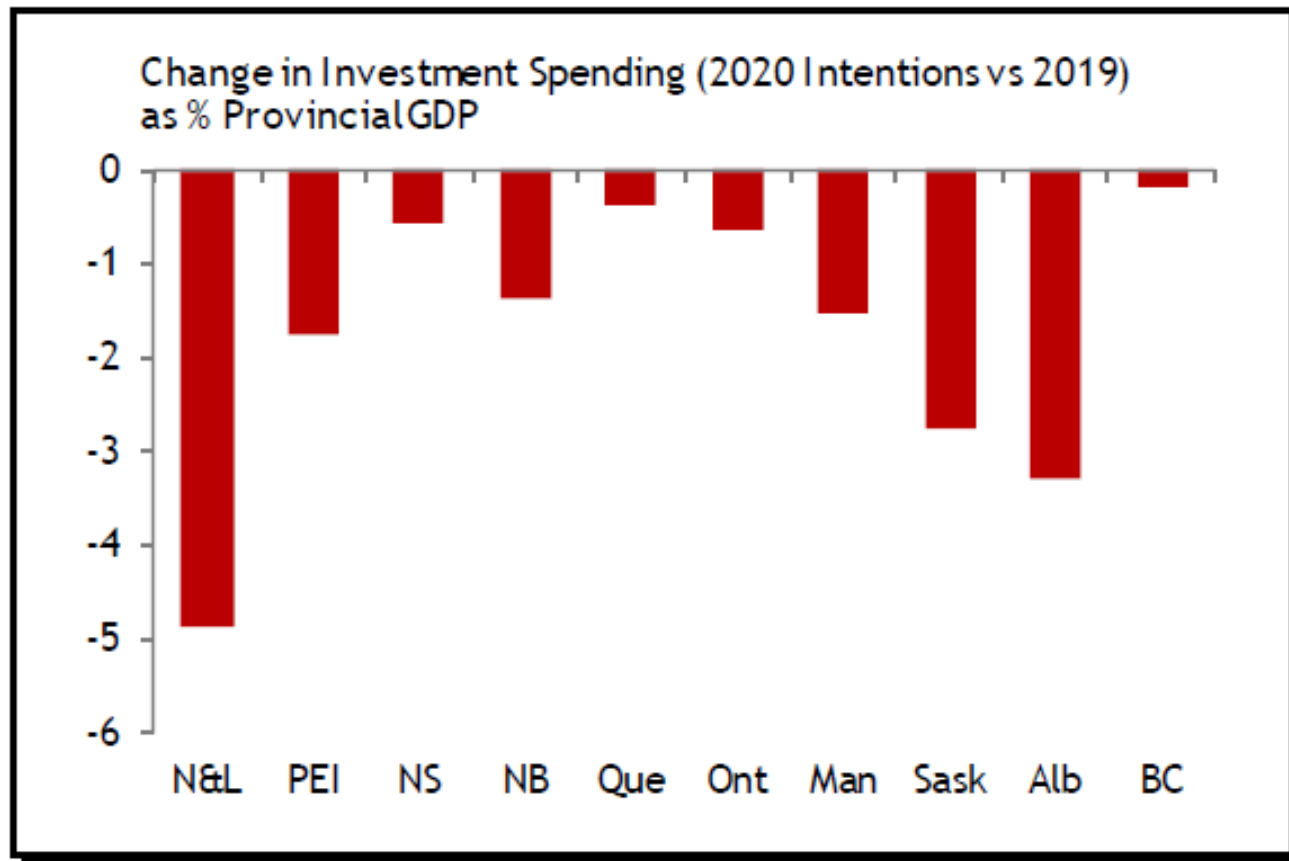
# Oil

## Crude Oil



# Capital Spending

## Revised Investment Intentions Show Sharp Reductions For Energy Producers



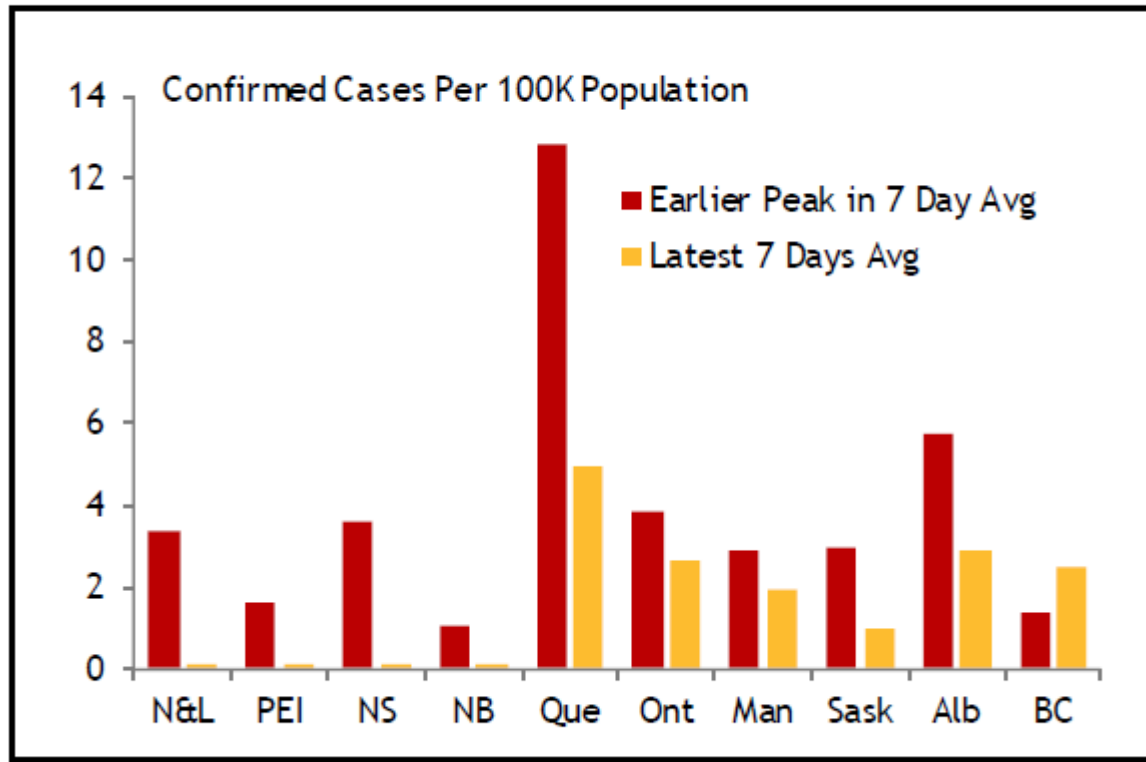
Source: Statistics Canada, CIBC



# Pandemic

- Testing is now much higher; cases may have slipped through the cracks in Mar/Apr
- Covid-related deaths haven't risen as quickly thus far

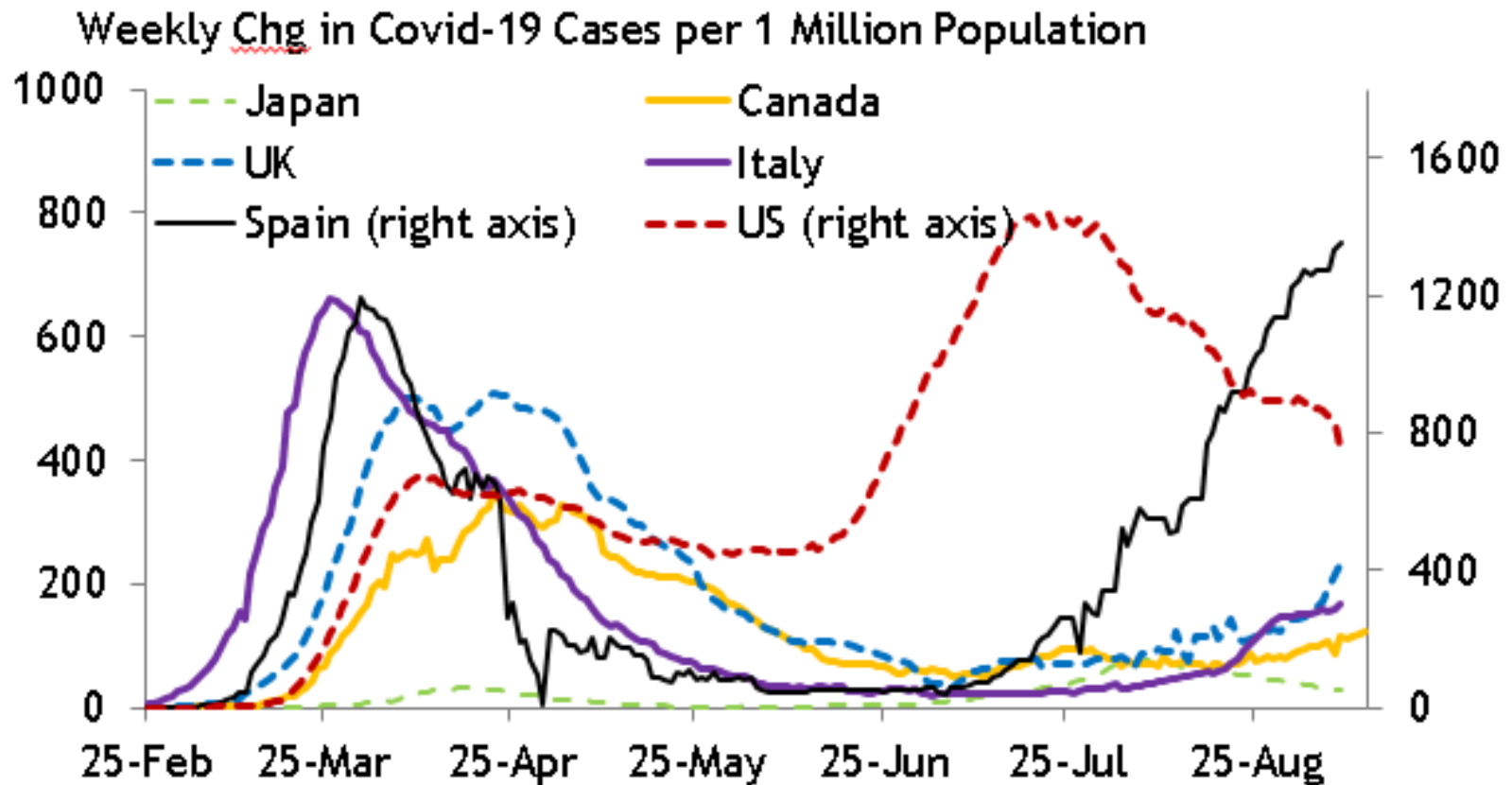
## Covid Cases Closing Back in on Earlier Peaks in Ontario, Surpassing Them in BC



Source: CTV, CIBC

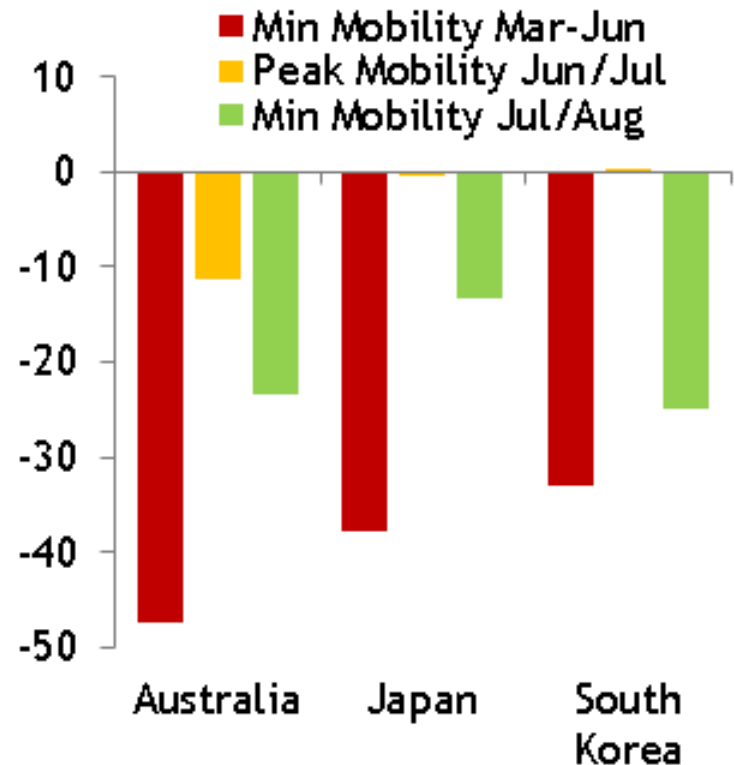
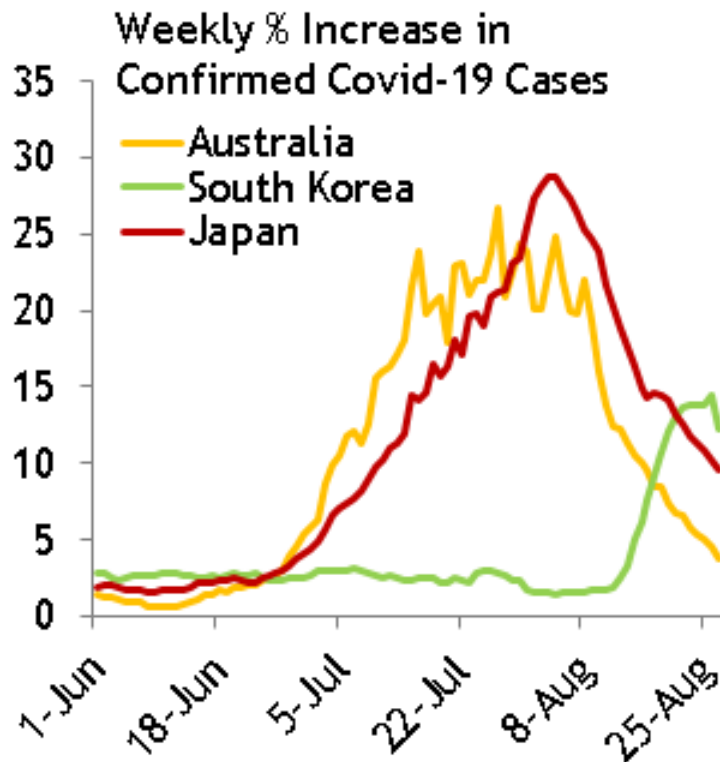
# Pandemic

- Infections on the rise again



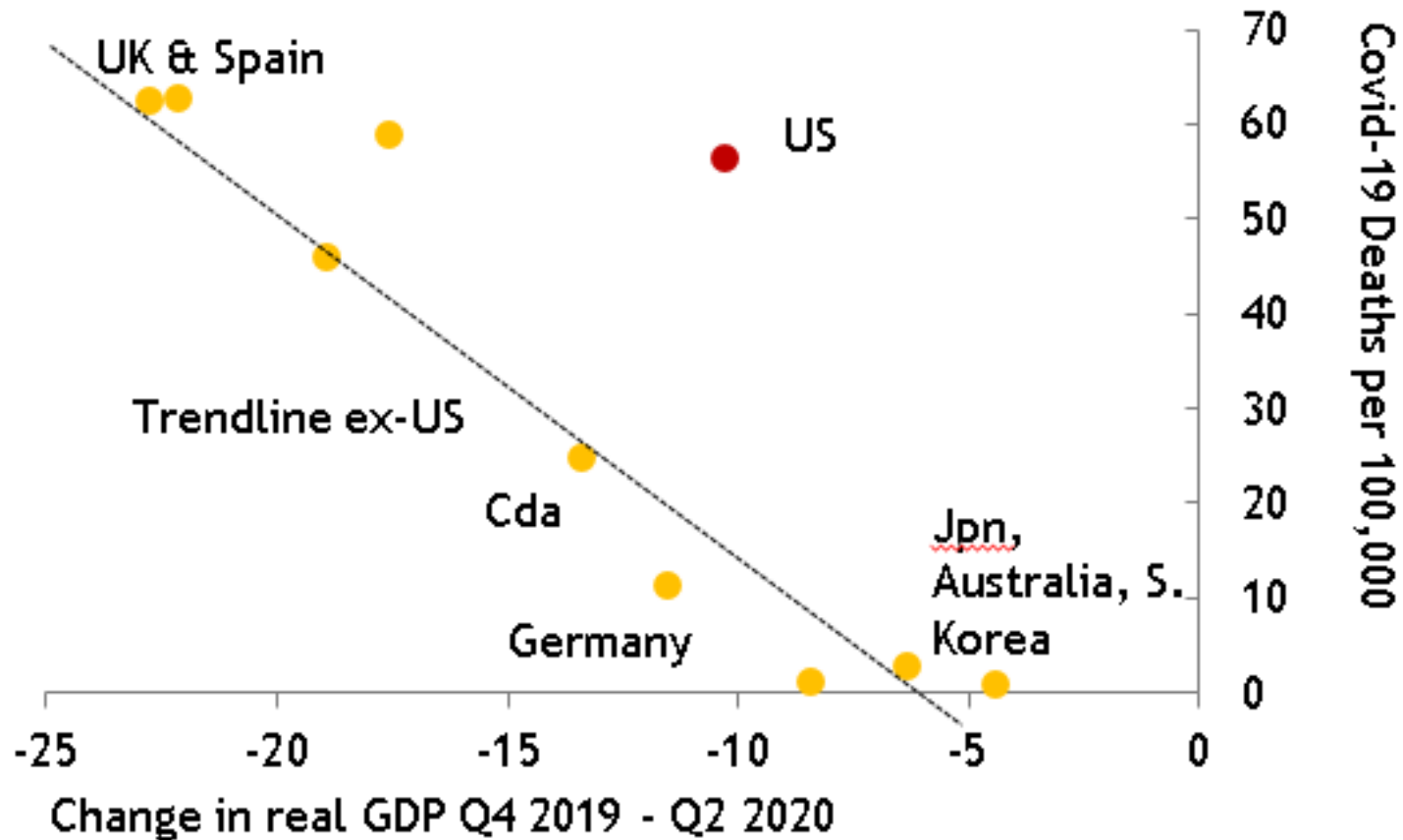
# Pandemic

- Some second waves have been suppressed with less-strict lockdowns



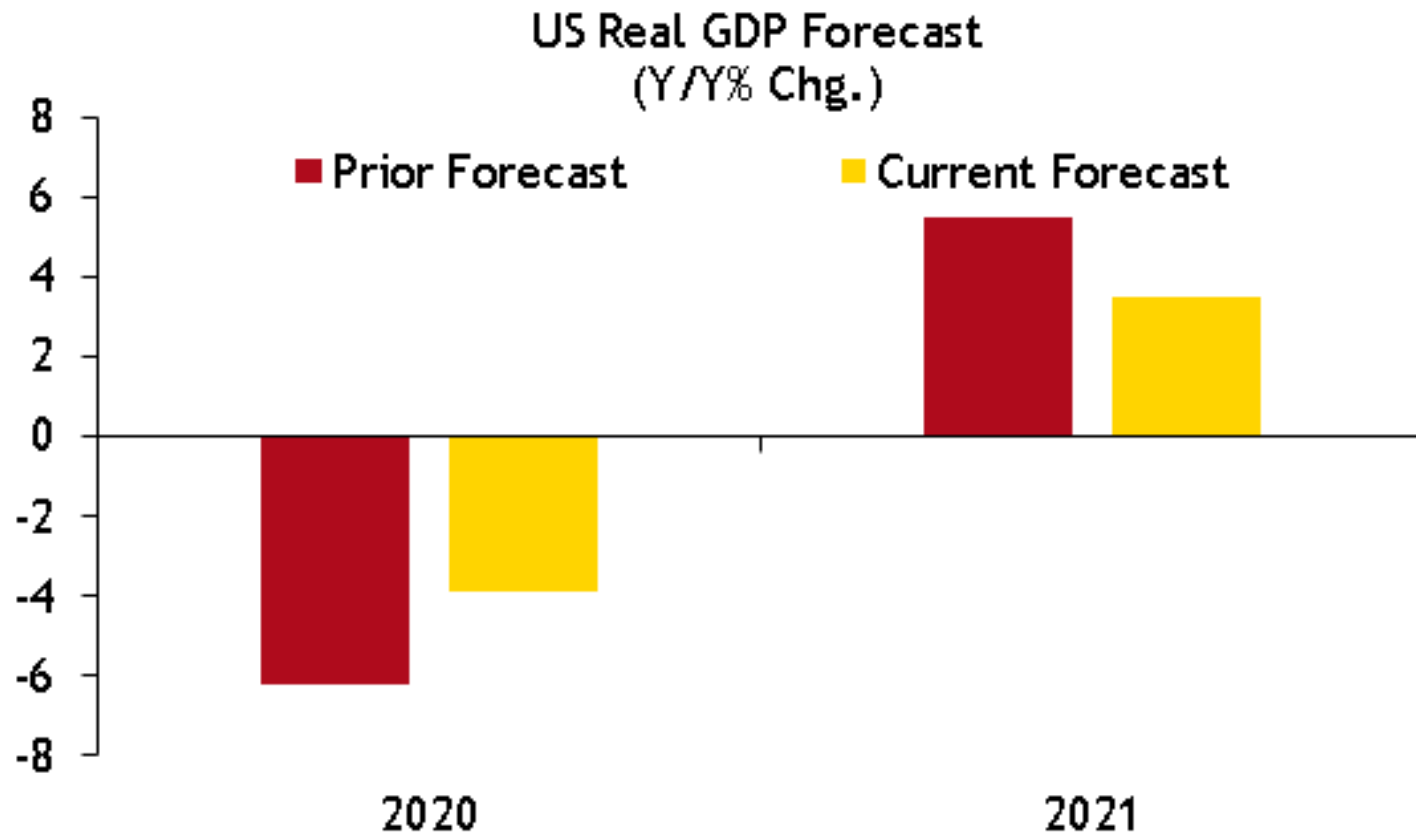
# Pandemic

- Biggest outbreaks have generally brought the worst economic damage



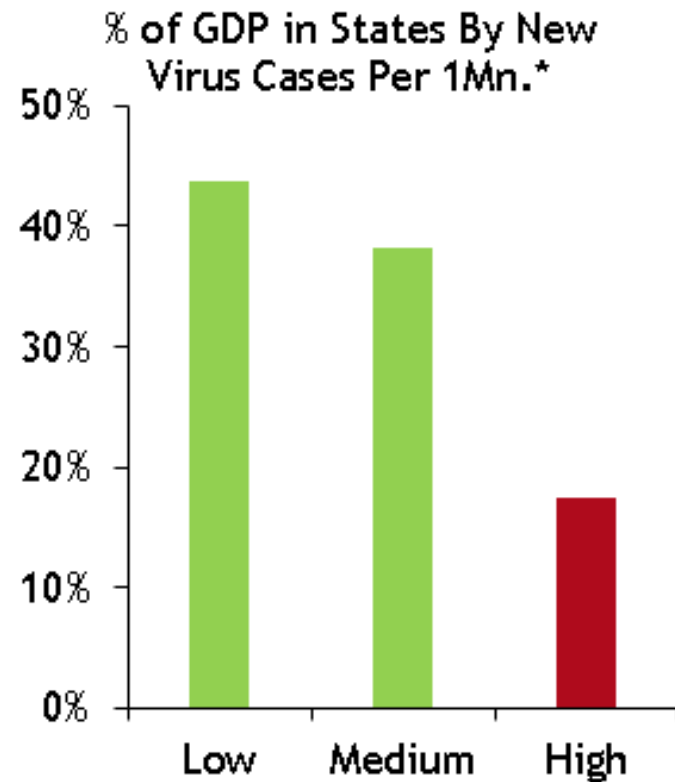
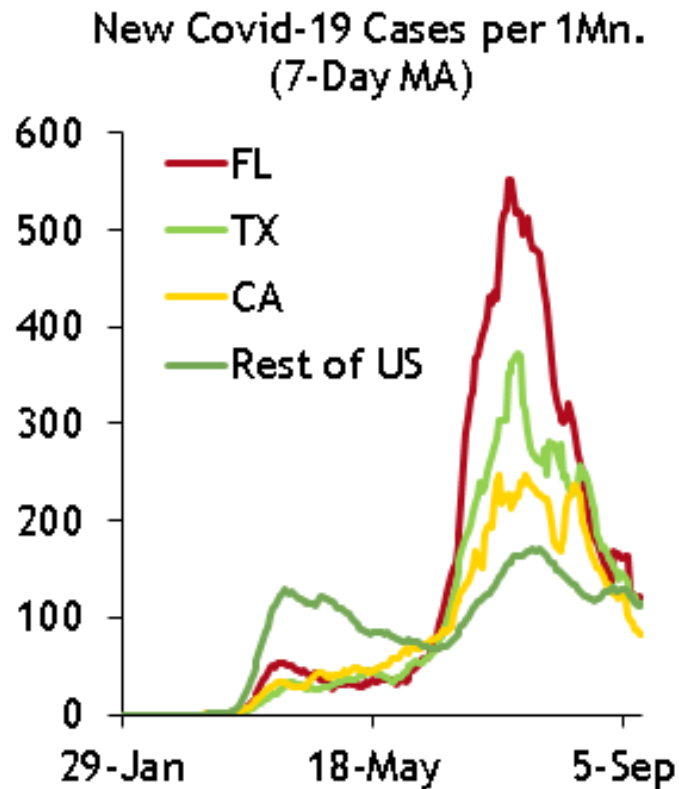
# US Downturn

- Not as severe as initially thought



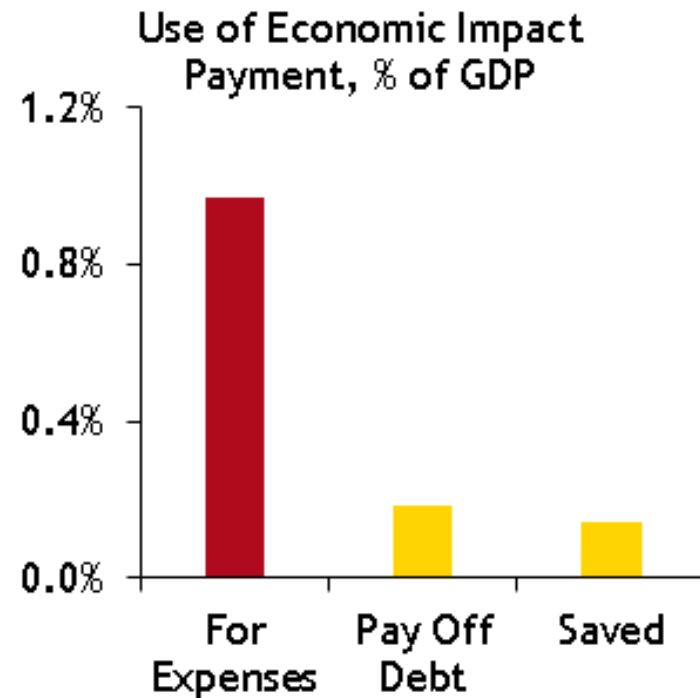
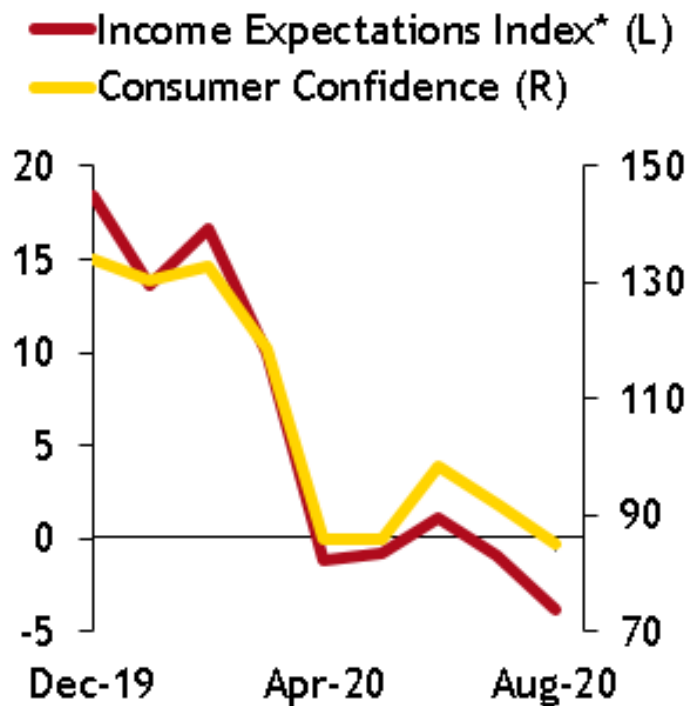
# US Downturn

- Virus cases down in largest states, with smaller ones struggling



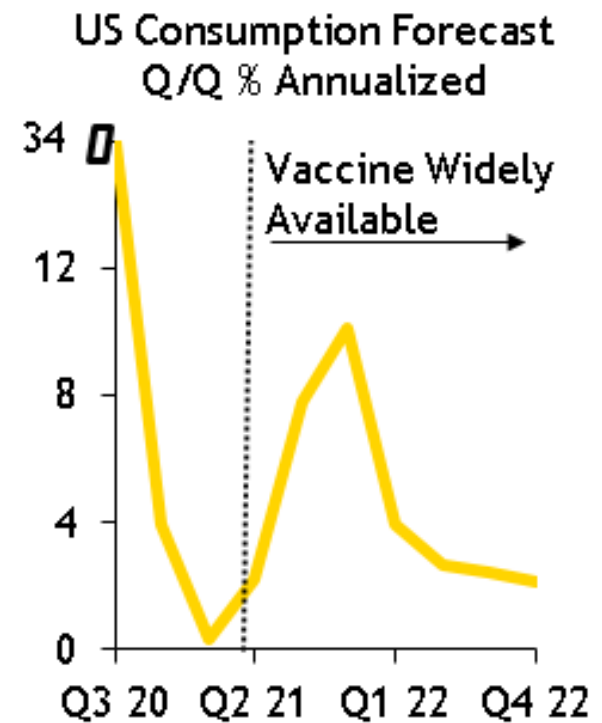
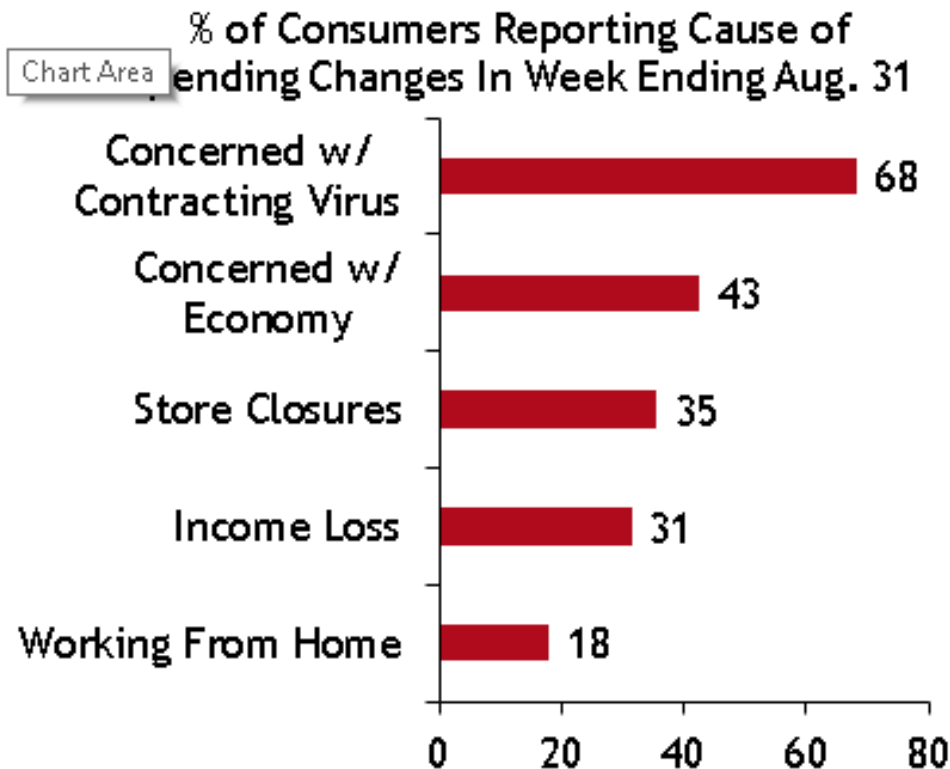
# US Downturn

- Consumers expect incomes to fall ahead with confidence waning
- Most of stimulus payments already spent



# US Downturn

- Reasons for spending changes imply a slower recovery until vaccine





# Forecast Summary

<b>CANADA</b>	<b>2019A</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
GDP at Market Prices	3.6	-5.4	6.1	7.0
GDP in \$2007	1.7	-5.6	4.0	4.8
Consumer Price Index	1.9	0.6	1.8	1.9
Unemployment Rate	5.7	9.7	8.4	6.9
Current Account Balance (C\$ Bn)	-47.0	-56.2	-61.1	-46.8
Pre-tax Profits (net Operating Surplus)	-0.1	-40.9	27.7	37.1
Housing Starts (K)	209	207	199	215
<b>UNITED STATES</b>	<b>2019A</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
GDP at Market Prices	4.0	-2.7	5.9	6.9
GDP in \$2009	2.2	-3.9	3.5	4.3
Consumer Price Index	1.8	1.3	2.4	2.3
Unemployment Rate	3.7	8.6	7.0	4.9
Current Account Balance (US\$ Bn)	-480	-595	-708	-702
Pre-tax Profits (with IVA/CCA)	0.3	-14.8	12.5	8.6
Housing Starts (K)	1,295	1,336	1,421	1,414

# Portfolio Update



PRIVATE WEALTH  
MANAGEMENT

## PORTFOLIO PERFORMANCE (CAD)

As of October 16, 2020

Grouped Records

CIBC WOOD GUNDY

YEAR TO DATE	
01/01/2020 - 10/16/2020	
Starting Value	\$ 100,135,042.78
Inflows	\$ 20,000,000.00
Outflows	\$ -15,314,128.56
Income	\$ 2,065,893.95
Ending Value	\$ 110,539,531.19

Time-Weighted-Net	5.345 %
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Notes: Values in percentage are annualized for periods of more than twelve months.  
One or more underlying accounts are inactive or have been closed prior to the selected reporting period.

### ACCOUNT DETAILS

Account Number	Name	Account Type	Currency	Market Value (CAD)
750033621C	PARKLAND COUNTY LONG TERM	Cash	CAD	30,283,580.87
75003362XC	PARKLAND COUNTY LONG TERM		CAD	
755393951C	PARKLAND COUNTY SHORT TERM	Cash	CAD	79,547,342.50

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# Thank You

## Questions?

### **Hobson Chahal Advisory Group**

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