

Due Diligence

Portfolios **RE:** Constructed
with **Mackenzie**

Due Diligence

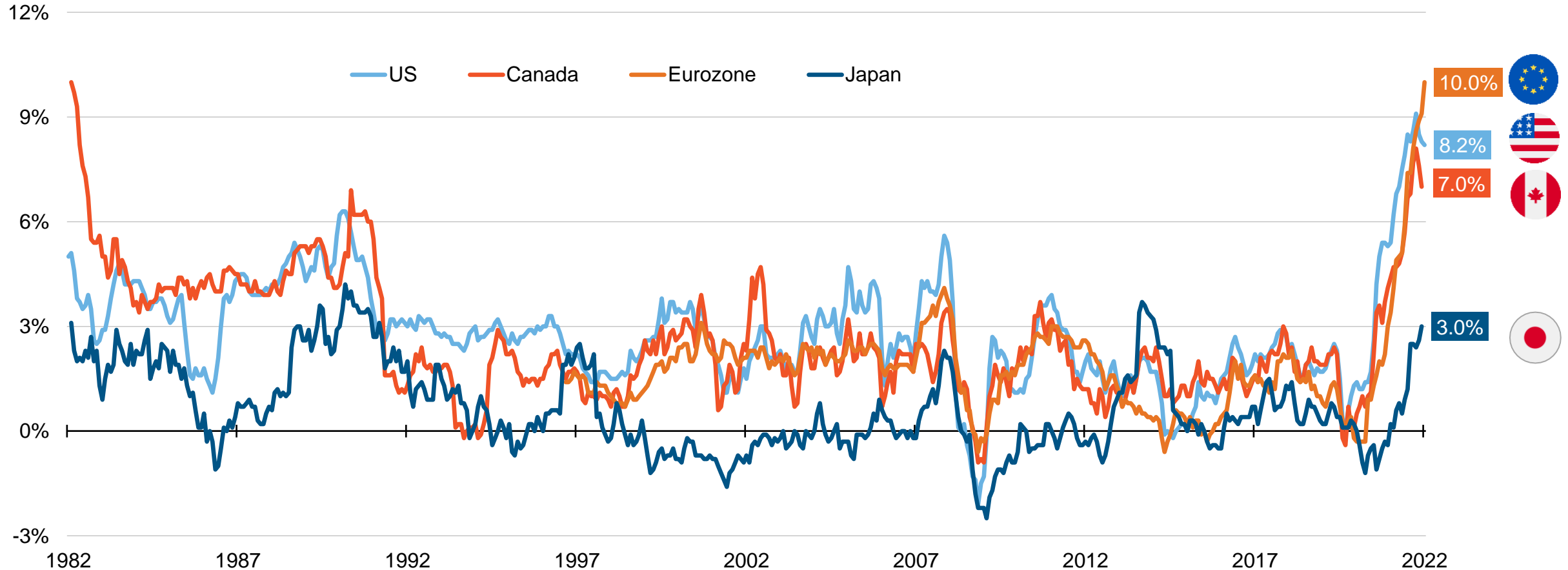
Portfolios **RE:** Constructed
with **Mackenzie**

Investing in the post-Goldilocks era

Jules Boudreau
Economist

Inflation – sticky inflation dominates the setting

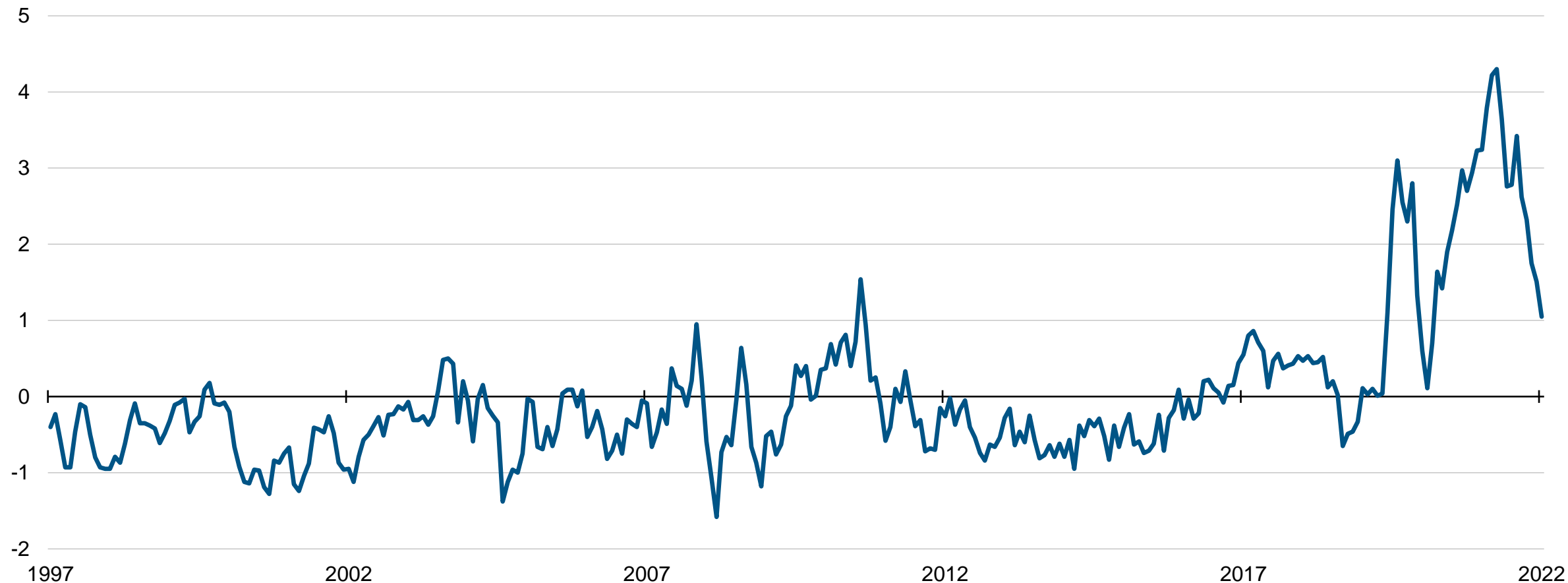
Headline inflation rates (YoY %)



Source: Bloomberg, US & Eurozone September 2022; Canada & Japan August 2022.

Global supply chain has improved

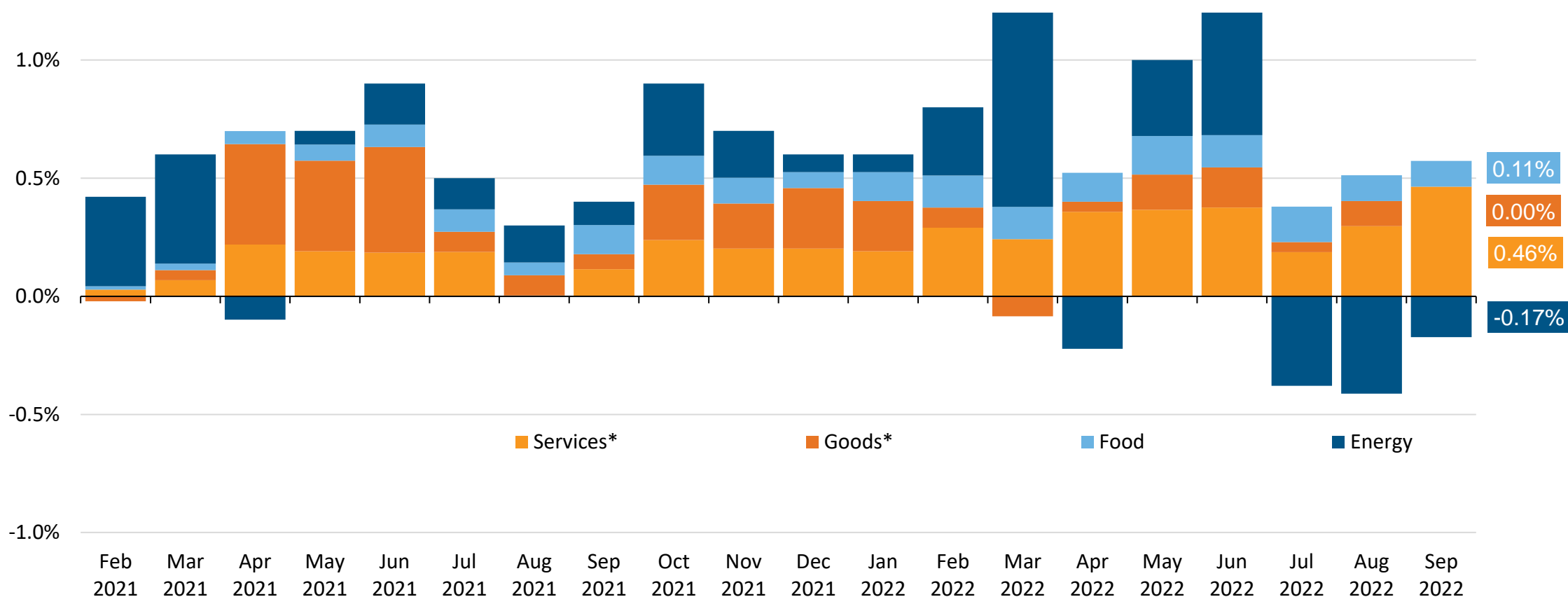
New York Fed supply chain pressure index



Source: Bloomberg, September 2022.

Inflation pressure is broader than energy

US CPI contribution breakdown (m/m %)

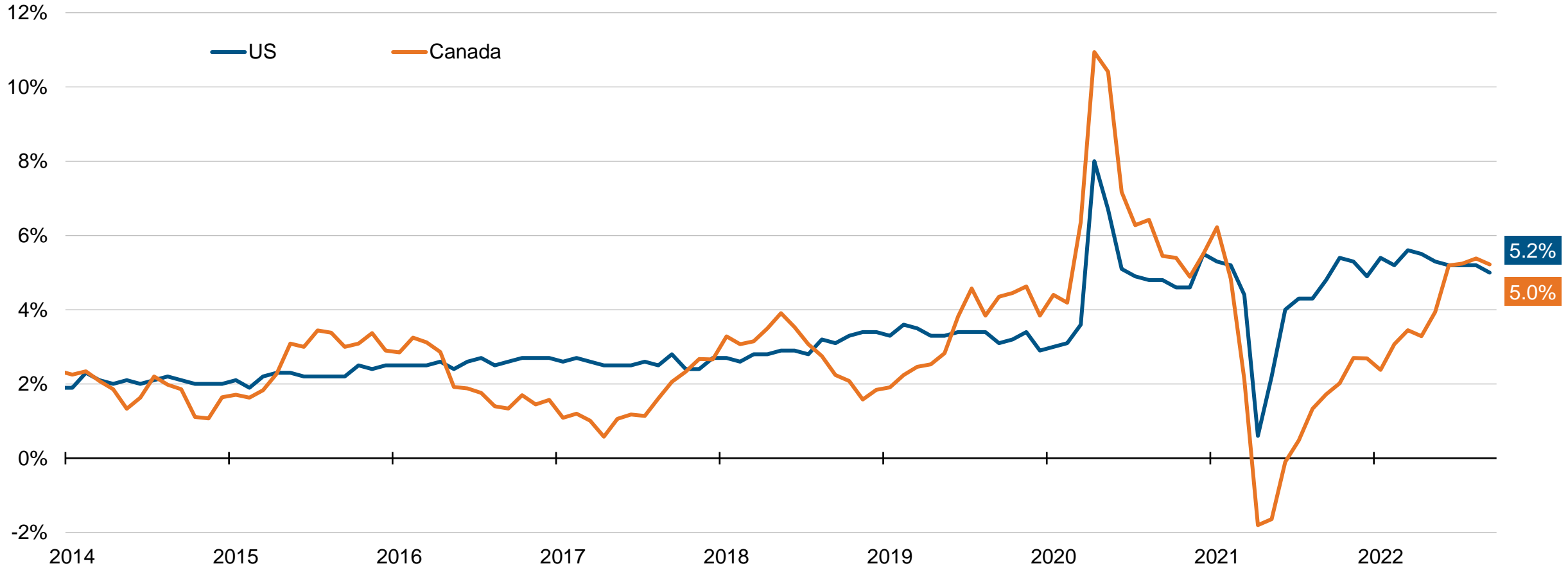


*Excluding food and energy

Source: Bloomberg, September 2022; Category weights as of August 2022.

Wage increases also support inflation

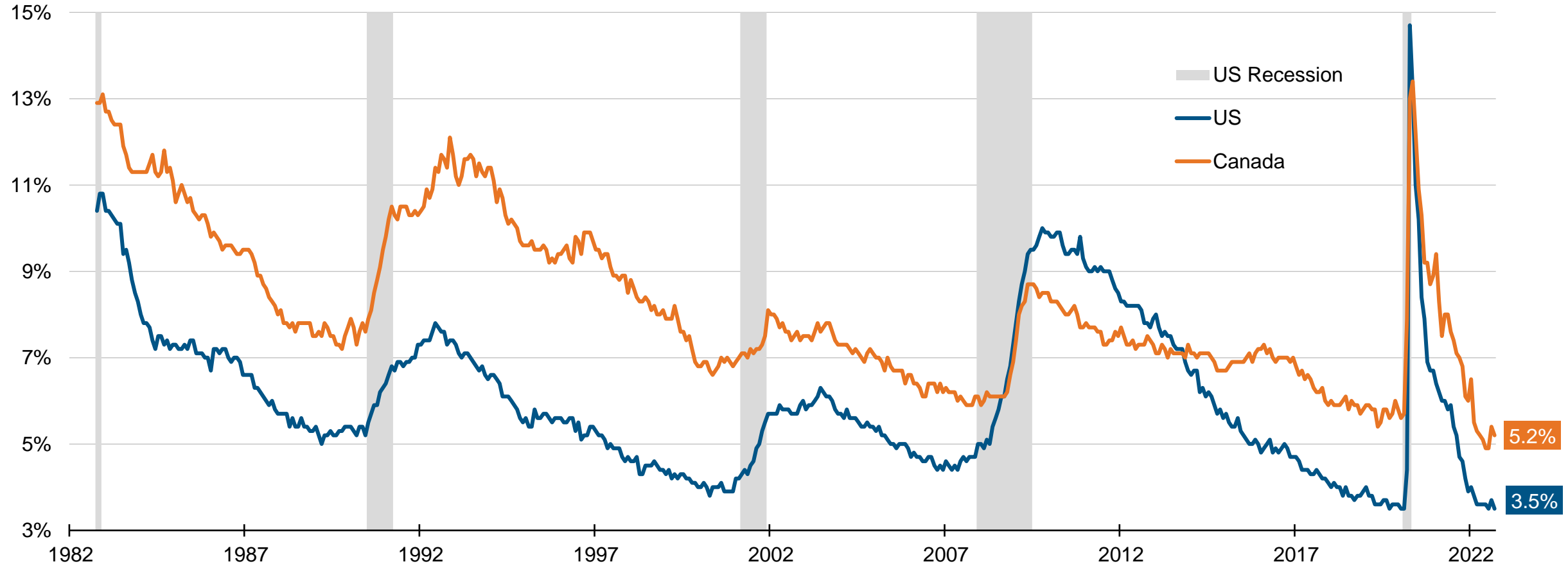
Canadian average hourly wages vs. US average hourly wages (Y/Y % change)



Source: Bloomberg, September 2022.

Tight labour markets are adding to the inflation narrative

Canada & US unemployment rates



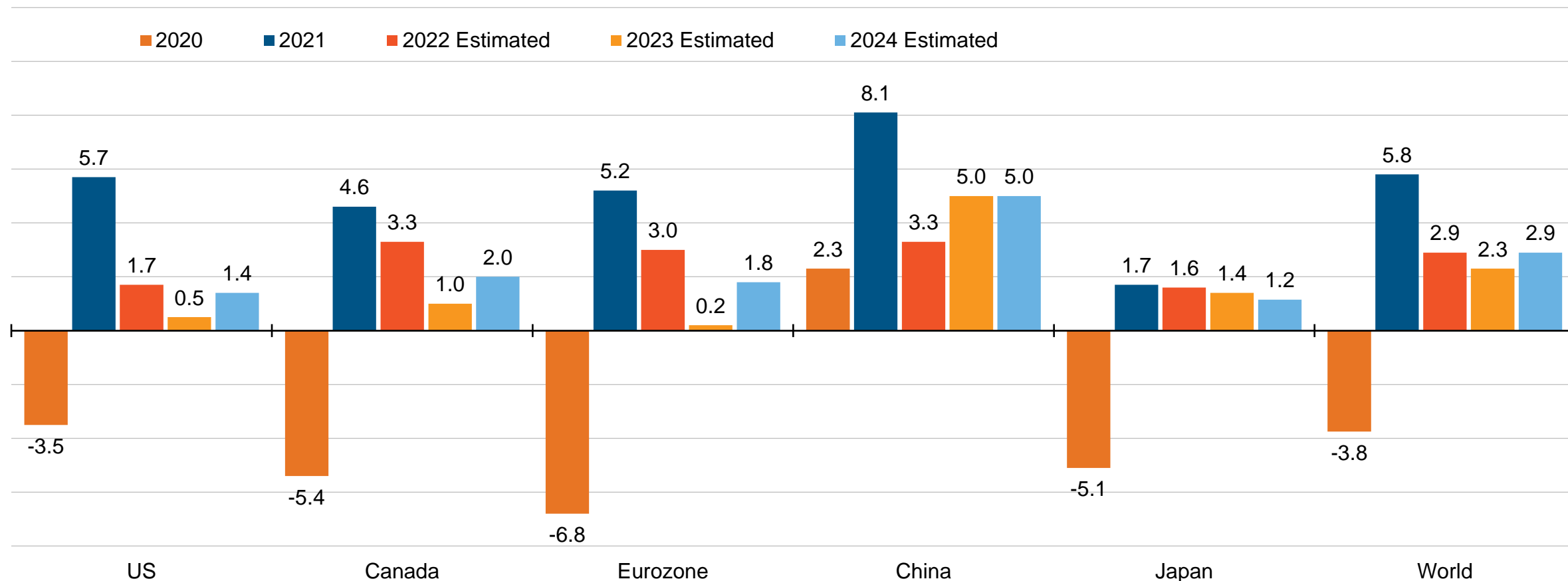
Source: Bloomberg, September 2022.

3

Economic slowdown – how broad, how deep

Slowing economic backdrop shapes the plot of our story

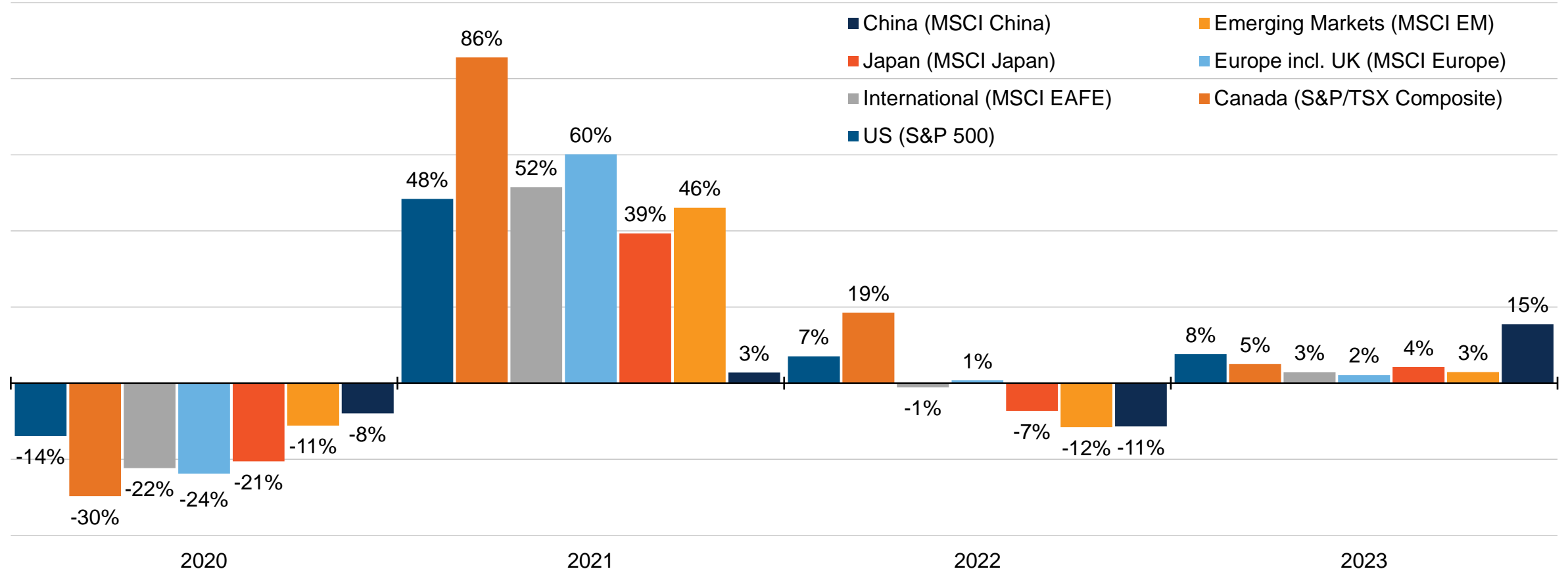
Real GDP growth (y/y % change)



Source: Bloomberg, October 2022.

Global earnings growth slowing

Earnings growth Y/Y % change (consensus forecasts)

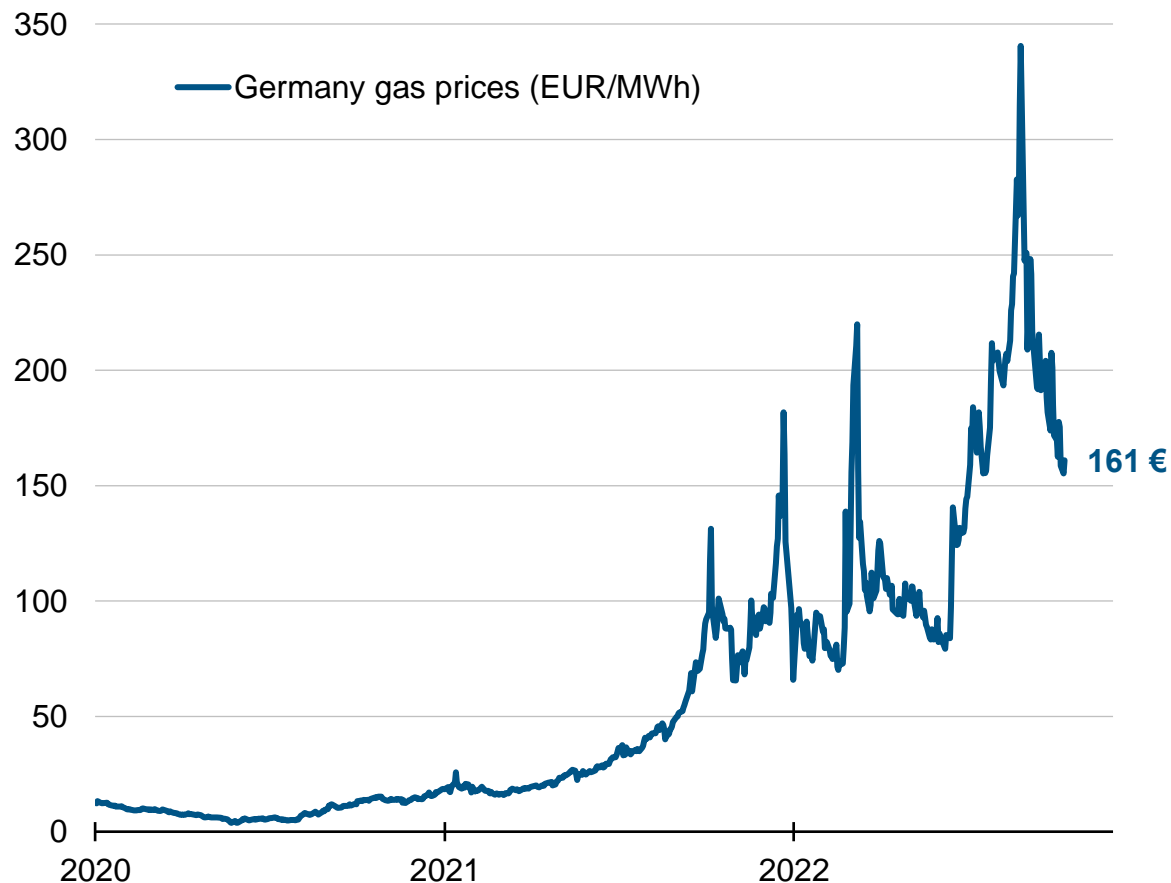


Source: FactSet October 13, 2022

For advisor use only

Conflict: Winter is coming for Europe

Electricity costs have surged across Europe



Source: Bloomberg, October 11, 2022.

For advisor use only

Energy crisis in Europe

- Russia weaponizing energy exports
- Risk of fragmentation among Eurozone members
- Surging European energy costs can spread to North America
- Food insecurity worsens leading to political unrest
- Recession likely in Europe

China policies in conflict with global economic growth



US/China tensions escalate

- Potential for sanctions on China over Taiwan



Zero-Covid policy

- Rolling lockdowns continue to disrupt supply chains
- Demand for oil dropped for the first time in 30 years



Chinese property crisis

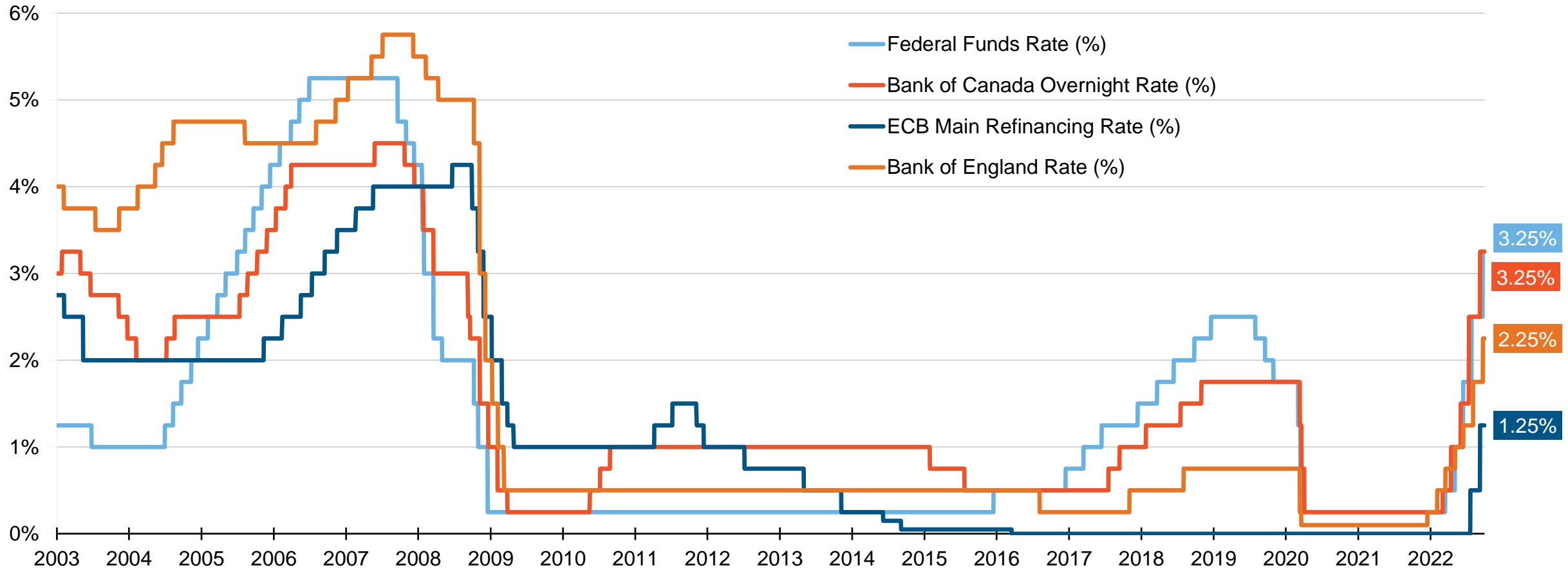
- Home prices continue to fall
- Mortgage payment strikes

2

Central bankers – no “pain” no gain

Central bankers are the central 'characters'

Global central bank overnight rates



Source: Bloomberg, September 30, 2022.

Central bankers prioritizing price stability above all else

“Fighting inflation will bring some pain to households and business”

– **Jerome Powell**,
Chairman of the Federal Reserve, August 2022

“The ECB Governing Council expects to raise interest rates further, because inflation remains far too high and is likely to stay above target for an extended period”

– ECB monetary policy decision and statement, September 8, 2022

“We have a careful eye on many different things – we have a lot of work ahead of us, and we will not rest easy until we can get inflation back to target”

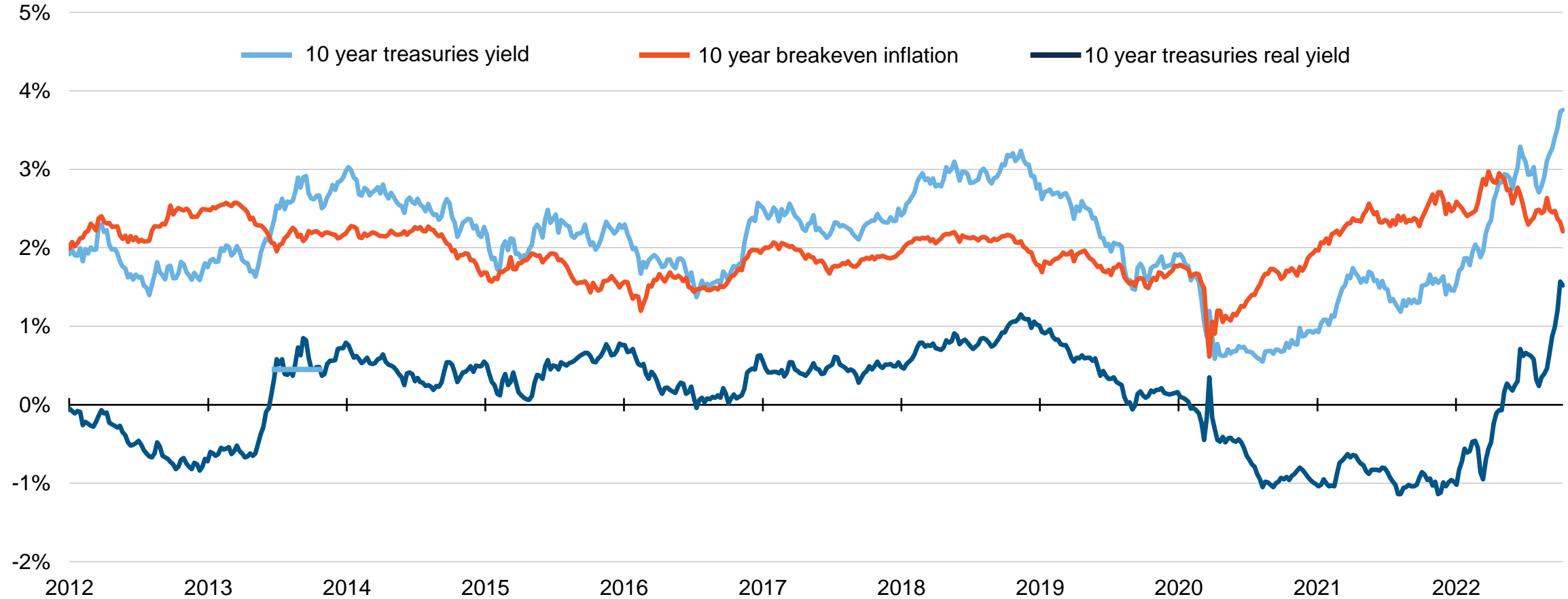
– **Carolyn Rogers**,
Senior Deputy Governor of the Bank of Canada, September 8, 2022

4

Geopolitical wildcards

Bonds Offer an Attractive Real Rate

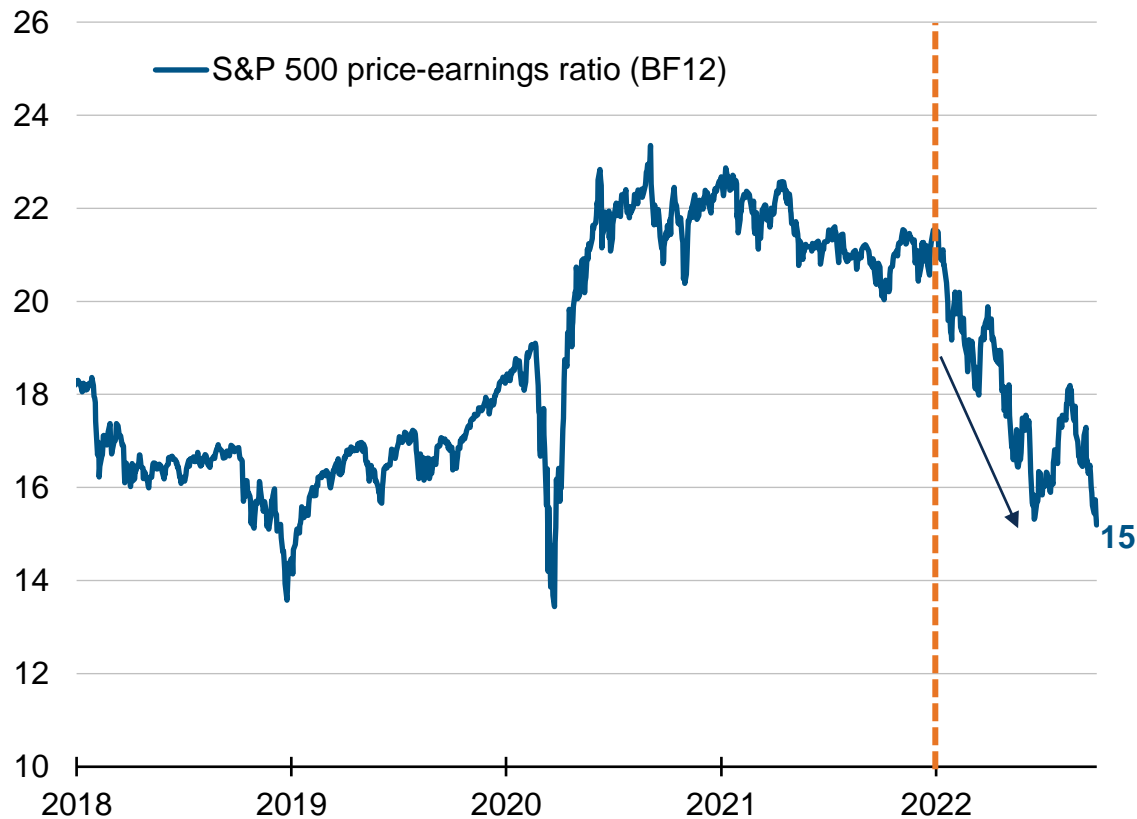
Breakdown of 10-year Treasury bond yields



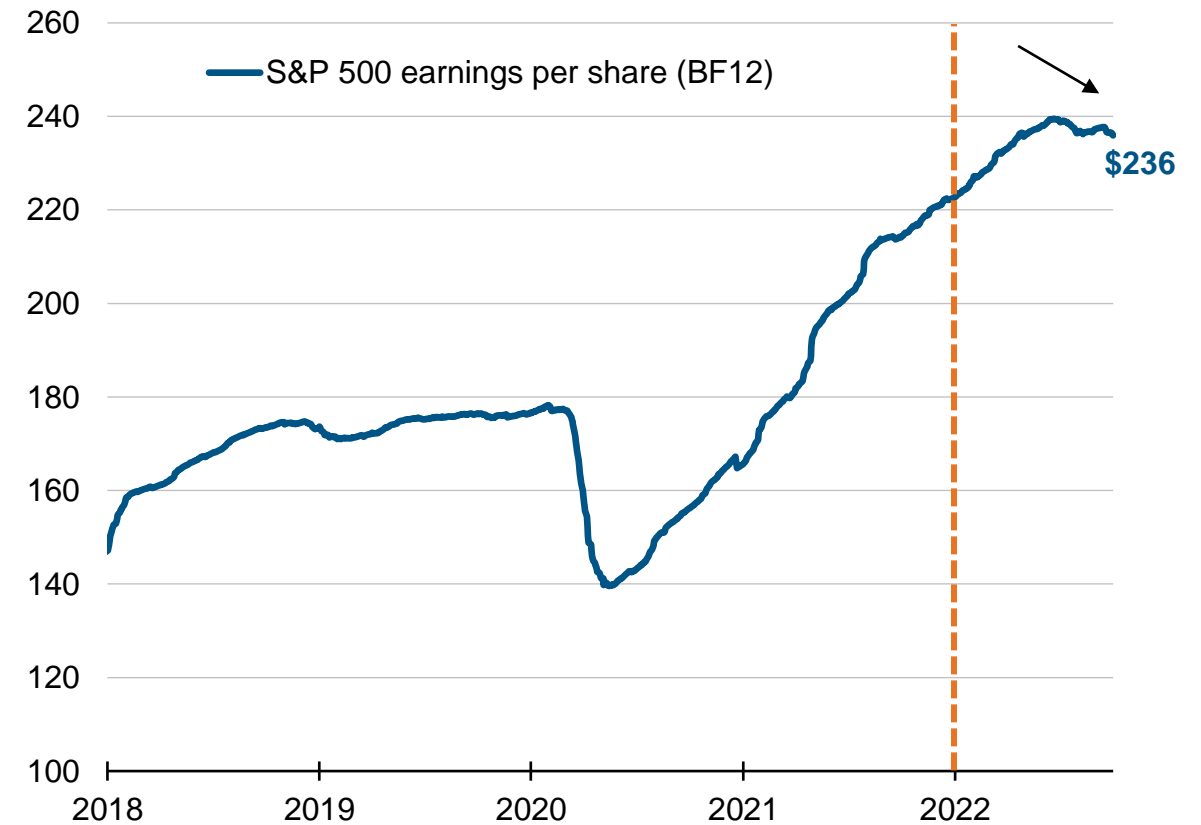
Source : Bloomberg, October 9 2022.

Earnings estimates rolling over

Longer-term, valuations are looking more attractive



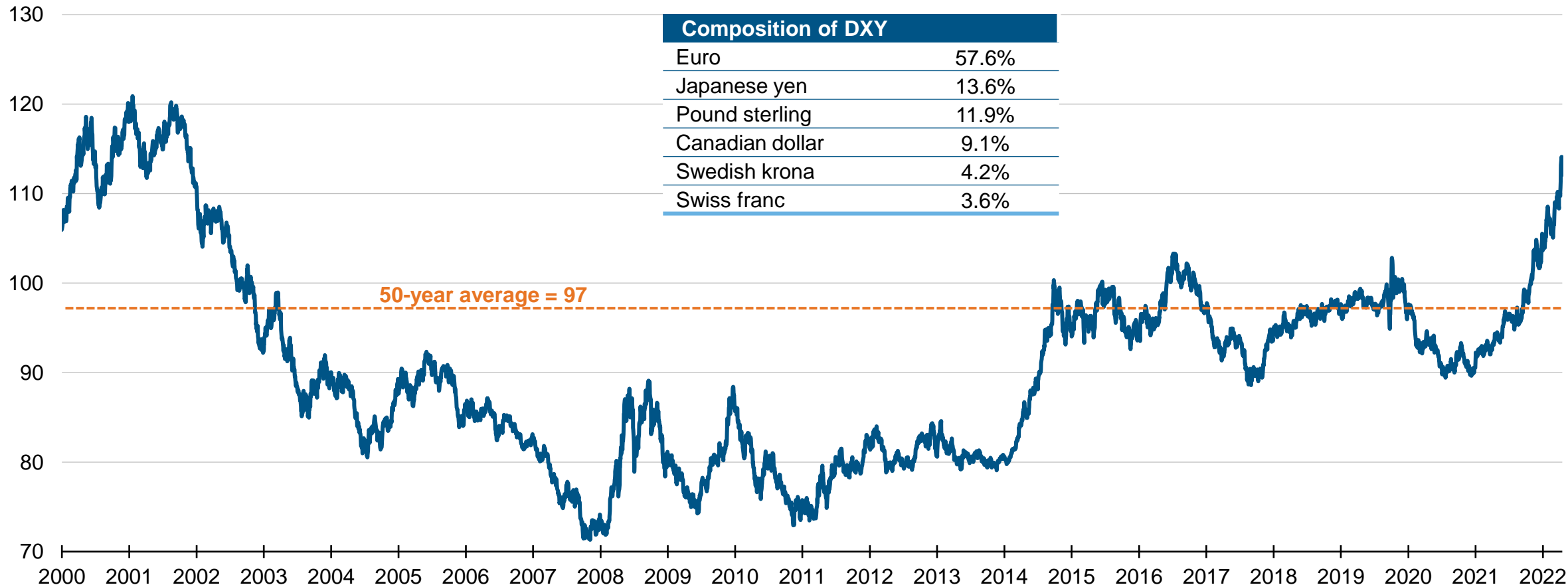
Forward earnings have plateaued. Will they drop?



Source: Bloomberg September 30, 2022.

Strong US dollar a headwind for emerging markets

US Dollar Index (DXY)



Source: Bloomberg, September 30, 2022.

5

Our conclusions

Resolution – our conclusions

Goldilocks era of investing is over



Inflation was muted

- Globalization, technology and productivity kept a lid on costs



Low inflation supported easy monetary policy

- Inflation remained at or below target rate



Geopolitical risks proved temporary

- No major events shifted fundamentals materially



Where the story is heading



Inflation will be stickier than expectations

- Portfolios should reflect inflation protection



Liquidity conditions will continue to tighten

- Major market trend will be risk off
- Align portfolios with risk tolerance



Geopolitical risks remain

- Favours lower volatility, dividend paying investments

FOR ADVISOR AND INSTITUTIONAL USE ONLY. No portion of this communication may be reproduced or distributed to the public as it does not comply with investor sales communication rules. Mackenzie disclaims any responsibility for any advisor sharing this with investors.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Index performance does not include the impact of fees, commissions, and expenses that would be payable by investors in the investment products that seek to track an index.

This document may contain forward-looking information which reflect our or third party current expectations or forecasts of future events. Forward-looking information is inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed herein. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors, interest and foreign exchange rates, the volatility of equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings and catastrophic events. Please consider these and other factors carefully and not place undue reliance on forward-looking information.

The forward-looking information contained herein is current only as of October 13, 2022. There should be no expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.