

# Market Pulse

AS OF WEDNESDAY, JULY 24, 2024

## BANK OF CANADA – ANOTHER CUT WITH MORE TO COME

Insights from Neil Shankar, Economist, CI GAM

### KEY SUMMARY POINTS

- The Bank of Canada (BoC) lowered its overnight policy rate by 25 basis points to 4.50%.
- BoC communications tilted dovish, indicating that “the ingredients to bring inflation back to target are in place” and that “measures of core inflation have been below 3% for several months”.
- Governor Macklem continued to suggest that “it is reasonable to expect further cuts”, although stopped short of committing to a “predetermined path”.

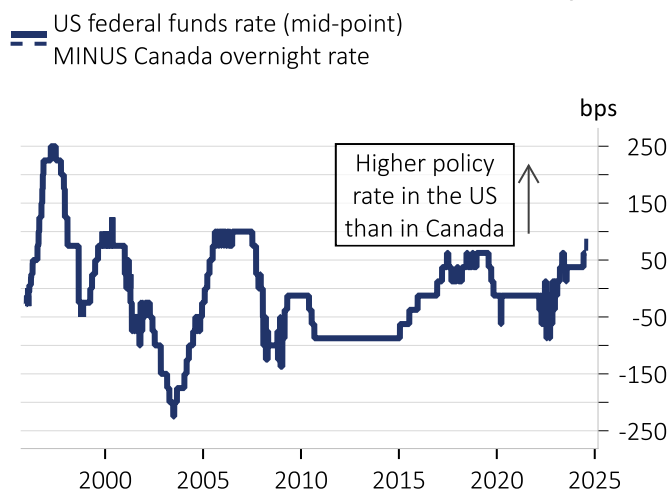
### WHERE DO WE GO FROM HERE?

While the BoC continued to suggest that decisions will be made “one meeting at a time,” the likelihood of a swifter path forward has increased.

Absent from today’s communications was a key sentence from the June meeting that had previously indicated the BoC was concerned with “lowering our policy rate too quickly” and “jeopardizing the progress” on inflation made thus far.

Moreover, Governor Macklem indicated that “downside risks are taking on increased weight” in monetary policy decisions, suggesting the bar for future cuts has been lowered. While the BoC remains “determined to get inflation back to 2%”, it remains cautious about weakening “the economy too much”.

### Federal Reserve and Bank of Canada Policy Rates



Source: Bank of Canada, Federal Reserve, Federal Reserve Bank of New York, Macrobond   
 As of July 24, 2024

### INFLATION OUTLOOK

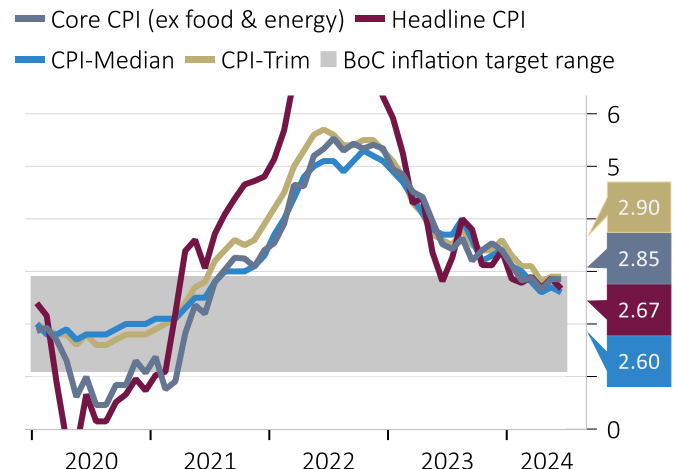
In its description of inflation, the BoC continued to highlight persistent shelter price inflation as a risk to the outlook, but one that must be balanced with ongoing excess supply in the economy that is lowering inflationary pressures.

Moreover, the monetary policy statement indicated that “broad inflationary pressures are easing” and that the BoC’s “preferred measures of core inflation have been below 3% for several months”.

Notably, the BoC’s Monetary Policy Report included a study on the drivers of inflation within the Canadian economy and concluded that services inflation excluding shelter was lower in Canada than in other developed economies.

### Canada Inflation

YoY % chg



Source: Statistics Canada, Macrobond   
 As of July 16, 2024

### CANADA AND US DIVERGENCE

When asked about the current divergence with the US Federal Reserve, Governor Macklem reiterated that monetary policy “very much depends on what is going on here in Canada”.

Moreover, the Governor continued to suggest that “there are limits to how far Canadian and US rates diverge” but “we’re still not close to those limits”. Notably, the Governor suggested that divergence is unlikely to be serious and potentially short-lived given inflation is “showing more signs of easing in the US”.

## CI GLOBAL INVESTMENT GRADE CLASS



Overall Morningstar Rating  
LSEG Lipper Fund Awards –  
2023 Winner

**Active, tactical asset allocation** by seasoned, award-winning portfolio managers led to solid returns and repeatable performance for this tax-efficient solution

The strategy is **exposed to the Canadian bond market** as CI GAM believes the Bank of Canada will continue to lower rates and **corporate spreads remain relatively attractive**

Available as **corporate class** (CI Global Investment Grade Class), **mutual fund** (CI Global Investment Grade Fund), and **ETF** (CI Global Investment Grade ETF; Ticker: CGIN)

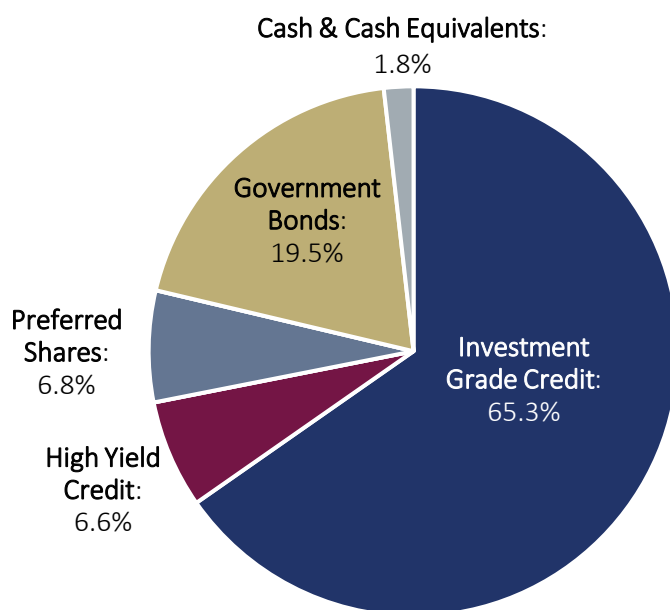
### STRATEGY OVERVIEW

A global, flexible investment-grade strategy with a focus on investment-grade corporate and government bonds. Satellite positions in high yield and preferred shares enhance return and diversify yield. CI Global Investment Grade Class offers tax-efficient returns on non-registered investments by benefitting from a Corporate Class structure. The strategy is managed by award-winning, seasoned portfolio managers, John Shaw and Leanne Ongaro.

### PORTFOLIO STATISTICS

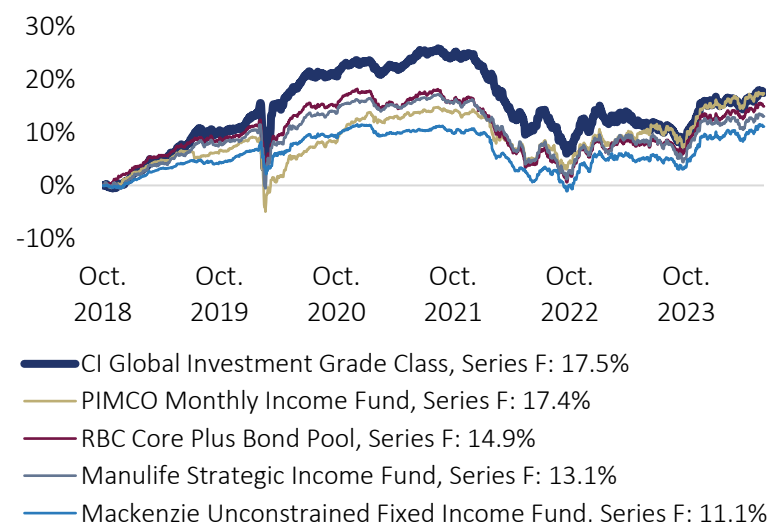
Yield*	5.64%
Duration (years)	5.13
Average credit rating	A-
Risk rating	Low

### ASSET MIX



### PERFORMANCE SINCE CI GAM STARTED MANAGING MANDATE (NOVEMBER 1, 2018)

**Strong outperformance:** Since November 1, 2018, the strategy has outperformed its category<sup>1</sup> average by 1,180 bps, while also outperforming major competitors.



	Return (annualized)	Std Dev	Sharpe Ratio
CI Global Investment Grade Class, Series F	2.89%	5.83%	0.16**
PIMCO Monthly Income Fund, Series F	2.88%	5.74%	0.16**
RBC Core Plus Bond Pool, Series F	2.49%	5.21%	0.09
Manulife Strategic Income Fund, Series F	2.19%	5.45%	0.04
Mackenzie Unconstrained Fixed Income Fund, Series F	1.88%	4.14%	-0.04

Source: CI Global Asset Management, FactSet and Morningstar Research Inc., as of June 30, 2024. \*The yield is a weighted average of the yield-to-maturity or yield-to-call as applicable for all securities in each fund. <sup>1</sup>CI Global Investment Grade is in the Global Fixed Income category. Chart shows total daily Series F returns in CAD. Table is calculated using the annualized monthly returns and risk-free rate is the FTSE Canada 91-Day Treasury Bill Index. \*\*Sharpe Ratio for CI Global Investment Grade Class, Series F is 0.1563 while for PIMCO Monthly Income Fund, Series F is 0.1556.



For more information,  
please visit [ci.com](http://ci.com).



## GLOSSARY OF TERMS

<b>Credit rating/risk</b>	An assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payment.
<b>Duration</b>	A measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed in number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).
<b>Sharpe Ratio</b>	A risk-adjusted return measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance.
<b>Standard Deviation</b>	A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility.
<b>Yield to maturity (YTM)</b>	The total expected return from a bond when it is held until maturity – including all interest, coupon payments, and premium or discount adjustments.

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently, and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell units of an ETF on recognized Canadian exchanges. If the units are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying units of the ETF and may receive less than the current net asset value when selling them.

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The comparison presented is intended to illustrate the mutual fund’s historical performance as compared with the historical performance of widely quoted market indices or a weighted blend of widely quoted market indices or another investment fund. There are various important differences that may exist between the mutual fund and the stated indices or investment fund, that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices or investment fund. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

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CI Global Investment Grade Class, Series F was rated against the following numbers of Global Fixed Income funds over the following time periods: 343 funds in the past three years and 242 funds in the past five years. Past performance is no guarantee of future results.

Morningstar Rating is for the F share class only; other classes may have different performance characteristics.

Morningstar Ratings reflect performance as of June 30, 2024, and are subject to change monthly. The ratings are calculated from a fund’s three-, five- and 10-year returns measured against 91-day Treasury bill and peer group returns. For each time period, the top 10% of the funds in a category get five stars. The Overall Rating is a weighted combination of the three-, five- and 10-year ratings. For greater detail see [www.morningstar.ca](http://www.morningstar.ca).

CI Global Investment Grade Class Series P was awarded the 2023 LSEG Lipper Fund Award in the Global Fixed Income category for the five-

year period ending July 31, 2023, out of a classification total of 33 funds (five years). The fund’s performance for the period ended June 30, 2024, was 5.9% (one year), -1.3% (three years), 2.4% (five years) and 3.0% (since inception on July 4, 2016).

The LSEG Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the LSEG Lipper Fund Award. For more information, see [lipperfundawards.com](http://lipperfundawards.com). Although LSEG Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by LSEG Lipper.

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