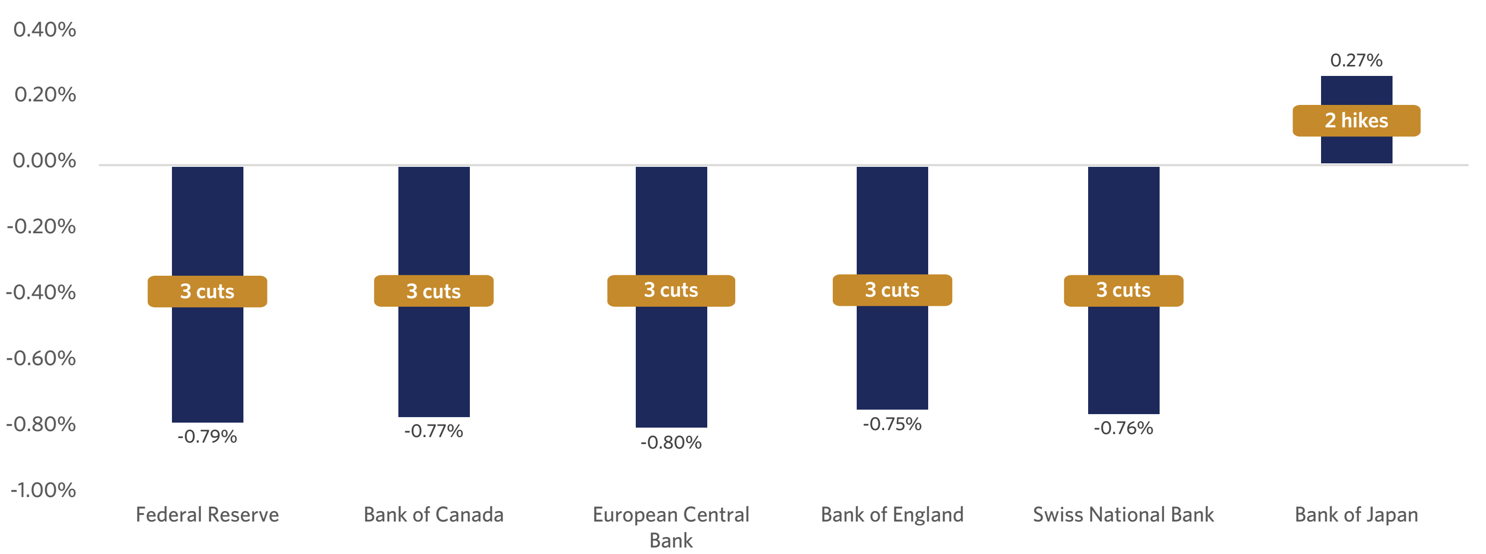
Most major central banks are poised to embark on a coordinated easing cycle
Expected change in central bank policy rates by year-end



Source: Bloomberg, Edward Jones, 3/27/24

International outlook

U.S. equity markets continued to outperform domestic and overseas stocks through the first quarter, but leadership is starting to broaden with several global markets hitting fresh record highs. These include the German DAX, the French CAC, and Japan's Nikkei in addition to the TSX. While the U.S. will likely maintain its economic and earnings growth advantage, easier central bank policy in the months ahead brighten the overseas outlook.

Central banks prepare for rate cuts - Global inflation will likely remain on a downward path the rest of 2024, allowing central banks to pivot to rate cuts. The Swiss National Bank became the first major central bank to cut rates in this cycle. Our view is the Fed will follow suit, cutting rates in the second half of the year while the BoC and ECB could cut rates as soon as June. While the Bank of Japan (BoJ) raised rates, it is only exiting negative rates, and policy will stay accommodative. In our view, the coordinated global easing cycle will help sustain the expansion and reaccelerate growth.

U.S. economy leads, but overseas growth likely past its worst - The eurozone economy has stalled over the past four quarters, while Japanese growth has downshifted. On the other hand, the U.S. economy has been boosted by strong consumption and a notable uptrend in productivity. U.S. growth will likely continue to lead this year, but we expect global rate cutting to drive a recovery in manufacturing activity, lifting overseas growth prospects. The 32% discount in overseas developed equity valuations relative to U.S. stocks and attractive dividend yields justify in our view a neutral allocation to overseas stocks despite weaker economic and earnings momentum.

China headwinds persist - China activity appears to be regaining some momentum as policymakers are taking incremental steps to support the economy. However, ongoing pressures in the property sector, which accounts for 30% of China's GDP, as well as a challenging regulatory landscape, will continue to weigh on relative performance, in our view.

▶ Action for investors

We recommend underweighting emerging-market and Canadian equities, staying neutral with overseas developed equities, and overweighing U.S. stocks.

Investing in equities involves risks. The value of your shares will fluctuate and you may lose principal.Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

