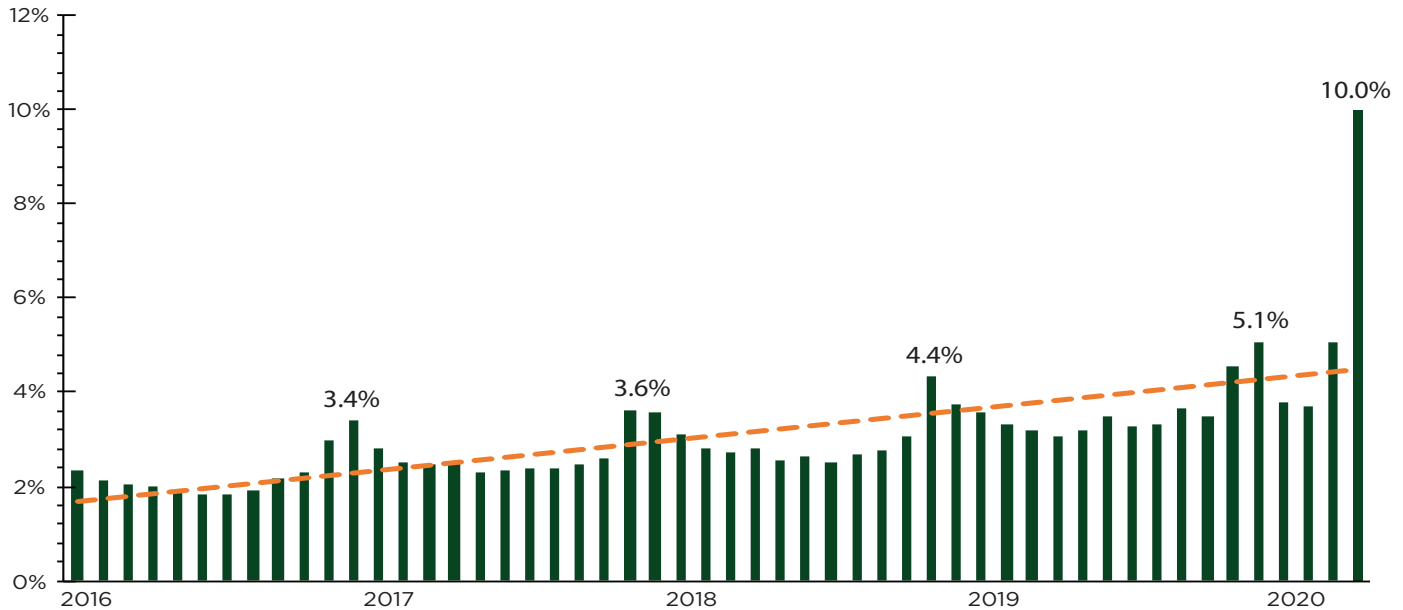


Canadian E-Commerce Share of Retail Sales



Source: Factset, Statistics Canada

QUARTERLY MARKET OUTLOOK: THIRD QUARTER 2020

COVID-19: Long-term Economic Impacts

COVID-19 is a health and economic crisis unlike any other in modern history, with profound short- and long-term socioeconomic implications. While the new normal creates new challenges for policymakers and investors, it also seems poised to accelerate existing trends that can enhance productivity and drive efficiencies.

- **A catalyst for rapid tech adoption** – Online shopping, digital payments, telemedicine, video conferencing and cloud computing will likely experience a lasting increase in demand. Online sales accelerated during the height of the pandemic, and are poised to continue to expand well after the crisis is over. Businesses are embracing technology and finding new, innovative ways to serve customers. Incorporation of technology could boost productivity, cut costs and raise profitability.
- **A shift in capital and resource allocations** – Economic models and allocation of capital will likely be revisited once the storm has passed. A further shift toward online spending and working from home could weigh on demand for commercial property and office space, but increased demand for logistics and warehouse facilities. Suburban residential property could become more attractive relative to city centres, and remodeling could get a boost as homeowners spend more time at home. The pandemic exposed vulnerabilities in supply chains and the flow of goods, which might lead to some manufacturing returning to the U.S. and spending more on automation.
- **A legacy of debt** – The government relief measures announced since the start of the pandemic are necessary in our view. However, they add to the sizable government debt, which is expected to rise over 100% of GDP this year, up from 88% in 2019 and the highest in more than 50 years. With rates near record lows and below the economy's potential growth rate, debt ratios can stabilize and start declining once the economy recovers. In the long term, a combination of tax increases and benefit cuts will likely be needed to reduce the size of the debt.

► Action for Investors

Investing in a balanced and properly diversified portfolio can better position you to take advantage of the shifts in economic trends and market leadership. Focusing on innovative companies is paramount in a fast-changing investment landscape. Lastly, consider the possibility of higher taxes and fewer benefits when planning for your financial future.