AGF | AROUND THE WORLD

September 18, 2017

A recap of last week's top economic news and what's to come.

WEEKLY MARKET REVIEW

U.S. INFLATION RISES

- U.S. headline inflation rose 0.4% in August, the largest jump in seven months, bringing annualized inflation to 1.9%. Core inflation grew 0.2% and held the annualized rate steady at 1.7% for the fourth-straight month.
- Gasoline prices spiked 6.5% after hurricanes made landfall at the end of the month, though the full effects are expected to be included in September's inflation print. Food inflation was subdued, up 0.1%, but could face downward pressure in the months ahead after Whole Foods lowered prices at the end of August.
- Also reported, U.S. retail sales fell 0.2% in August, missing expectations for a small gain. The Commerce Department stated Hurricane Harvey had both "positive and negative impacts on sales" as vehicle sales were disrupted, falling 1.6% in the month, yet gasoline purchases rose 2.5%.

CANADIAN HOUSING REMAINS STRONG

- Canadian housing starts advanced higher with a gain of 223,200 in August, bringing the 12-month average to 212,000. Multi-unit starts were particularly strong with the 12-month average reaching the highest level since 1990, while single-unit starts declined during the month.
- Among Canada's most heated markets, Ontario drove the majority of the gains, adding 95,000 starts and on pace for the most activity since 2003. Toronto starts rose at the fastest pace in nearly a year and a half. British Columbia pulled back in August, though remains at elevated levels.
- Canadian existing home sales rose 1.3% in August, ending a four-month losing streak, though are still down 9.9% from year-ago levels.

BANK OF ENGLAND HOLDS DESPITE IMPROVING DATA

- The Bank of England held its bank rate unchanged at 0.25% and government bond purchases at £435 billion in a 7-2 vote, though hinted at an imminent hike, stating "some withdrawal of monetary stimulus is likely to be appropriate over the coming months".
- Perhaps prompting the hawkish tone, August inflation levels rose to 2.9% annualized, the fastest pace since the Brexit vote. Core inflation also rose to 2.7%, the highest level since 2011.

- Unemployment fell to 4.3% in the second quarter, however in a troubling sign, wage growth grew only 2.1%, which is below current inflation levels. Labour supply continues to be an issue for the U.K. as net immigration fell to a three-year low amidst Brexit uncertainty.

OTHER ECONOMIC NEWS

- Industrial production in China slowed to 6.0% year over year as the world's second-largest economy appears to be slowing into the second half of 2017. Fixed-asset investment also disappointed, growing at an 18-year low of 7.8% annualized. Retail sales were up 10.1% year over year, but like other economic reports, were below consensus expectations.
- Several other regions reported industrial production data during the week. Eurozone activity rose 3.2% annualized in July, ticking up slightly in the month. Japanese industrial output fell 0.8% from the prior month, unchanged from initial reports. U.S. activity suffered its worst month in eight years as production fell 0.9%, heavily impacted by Hurricane Harvey.

WHAT'S TO COME

U.S. FEDERAL RESERVE MEETS

- The U.S. Federal Reserve meeting will be closely watched for both a potential change to the policy rate and an announcement on balance sheet reduction. U.S. housing starts, building permits and existing home sales will also be reported during the week. An update on Canadian inflation and retail sales, both reported Friday, are expected to increase slightly.

Sources: BMO Economics, Ned Davis Research, TD Economics, Barron's as of September 15, 2017

CANADIAN EQUITY INDEXES ($CDN)	Close	Return (%) Week	YTD	Annualized Return (%) 1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
S&P/TSX Composite PR Index	15,173	1.3	-0.7	4.6	-0.7	4.0	0.9	15,943	14,388
S&P/TSX Composite TR Index	50,104	1.3	1.2	7.6	2.3	7.1	3.9	48,697	46,385
Energy TR	3,471	3.6	-11.6	-1.5	-9.5	-0.9	-0.6	3,875	3,527
Materials TR	2,670	-1.9	2.3	-3.4	-0.3	-6.0	-1.5	2,761	2,587
Industrials TR	3,689	1.1	10.1	18.2	6.1	15.8	9.5	3,375	3,120
Consumer Disc. TR	3,186	1.7	13.8	18.2	10.9	19.1	7.9	2,789	2,687
Consumer Staples TR	5,723	1.8	1.9	-0.7	13.9	19.8	11.7	5,736	5,524
Health Care TR	408	3.1	-11.7	-40.9	-42.0	-17.8	-1.1	687	469
Financials TR	4,645	1.8	2.8	16.0	7.4	13.3	7.2	4,397	3,995
Information Technology TR	265	1.8	9.9	11.9	14.5	21.5	-2.4	245	237
Telecom Services TR	2,913	0.7	8.9	6.5	11.7	12.3	8.3	2,717	2,591
Utilities TR	4,454	-3.2	6.5	7.9	8.4	6.7	6.0	4,151	3,958
S&P/TSX 60 TR Index	2,379	1.4	1.0	8.5	2.9	7.7	4.0	2,324	2,187
MSCI Canadian Small Cap PR Index	346	0.3	-1.0	0.0	-3.5	0.8	0.3	372	327

WORLD EQUITY INDEXES (local)	Close	Return (CAD, %) Week	YTD	Annualized Return (CAD, %) 1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
CAC 40 PR Index	5,214	1.8	10.2	17.5	6.3	10.8	-0.4	5,442	4,311
DAX 30 PR Index	12,519	1.6	12.0	18.3	9.8	14.1	5.5	12,952	10,175
DJIA PR Index	22,268	2.7	2.2	13.4	13.0	15.6	7.0	22,275	17,884
DJIA TR Index	47,758	2.7	4.1	16.3	15.9	18.5	9.9	47,772	37,469
FTSE 100 PR Index	7,215	1.2	0.8	2.1	-0.7	5.1	-0.8	7,599	6,677
FTSE 100 TR Index	6,074	1.2	4.0	6.3	3.2	9.1	3.0	6,320	5,415
FTSE/Xinhua A200	9,845	-0.8	12.9	13.8	16.5	13.6	-1.4	10,035	8,090
Hang Seng PR Index	27,808	0.9	13.7	9.7	7.7	10.9	2.8	28,160	21,489
Hang Seng TR Index	74,808	1.0	17.8	14.1	11.8	15.2	6.5	75,785	56,043
MSCI EAFE TR Index	7,746	1.1	8.5	12.2	7.9	13.0	4.1	7,769	6,199
MSCI Emerging Markets TR	2,389	1.6	18.4	18.1	7.7	9.4	4.5	2,389	1,774
MSCI Europe TR Index	9,764	1.4	11.1	14.2	7.3	12.8	3.9	9,776	7,486
MSCI Far East Free (ex-Japan) TR	1,382	1.7	21.1	18.4	11.1	13.2	6.4	1,382	1,016
MSCI World TR Index	7,955	1.8	4.9	10.9	11.1	16.1	7.0	7,955	6,499
MSCI World AC TR Index	958	1.8	6.3	11.7	10.8	15.3	6.7	958	778
NASDAQ Composite PR	6,448	1.9	8.7	14.0	16.4	20.6	11.4	6,464	5,034
Nikkei 225 PR	19,910	1.1	-0.5	3.9	10.0	14.1	4.3	20,318	16,112
Russell 2000 TR	7,014	2.9	-3.4	9.8	12.9	17.4	9.5	6,739	5,600
Russell 2000 Growth TR	6,121	2.3	2.1	9.8	13.3	18.1	10.3	5,620	4,765
Russell 2000 Value TR	10,849	3.5	-8.4	9.7	12.4	16.7	8.7	11,042	8,879
S&P 500 PR Index	2,500	2.1	1.3	8.0	11.7	16.5	7.2	2,500	2,084
S&P 500 TR Index	4,568	1.8	2.9	10.1	13.9	19.0	9.4	4,414	4,159
Shanghai Comp PR	3,354	-0.7	4.0	5.3	14.2	13.9	-1.5	3,392	2,969

Interest Rates	Current	Next Meeting
Bank of Canada Overnight Lending Rate	1.00%	10/25/2017
Bank of England Repo Rate	0.25%	11/2/2017
European Central Bank Min bid rate at refi tender	0.00%	10/26/2017
Federal Funds Target Rate	1.25%	9/20/2017

		Total Ret (%)		Historical Prices					
Commodities ($US)	Close	Week	YTD	1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
Copper	293	-3.1	16.9	215	308	385	339	316	208
Corn	355	3.1	0.8	330	343	778	337	395	325
Crude Oil	49.89	5.1	-7.1	43.91	92.92	99.00	79.10	55.24	42.05
Gold	1,320	-2.0	14.6	1,315	1,233	1,770	708	1,358	1,121
Natural Gas	3.02	4.6	-18.8	2.93	3.93	2.94	6.28	3.99	2.52
Nickel	11,010	-4.5	10.4	9,664	17,964	17,740	28,360	12,202	8,700
Platinum	969	-3.8	7.3	1,032	1,362	1,709	1,297	1,066	889
Soybeans	969	1.3	-2.8	951	990	1,737	941	1,080	900
Silver	17.58	-2.1	10.5	18.98	18.68	34.66	12.56	20.07	15.19
Wheat	449	8.5	10.0	400	501	898	838	554	370
Zinc	3,043	0.4	18.7	2,217	2,242	2,086	2,867	3,207	2,053

				Current	Yield to
Bond Yields		Coupon	Maturity Date	Price	Maturity
Canada	2 Year Treasuries	0.750	8/1/2019	98.45	1.60
	10 Year Treasuries	1.000	6/1/2027	90.50	2.09
	30 Year Treasuries	2.750	12/1/2048	106.86	2.44
ECB	2 Year Treasuries	0.000	9/13/2019	101.41	-0.70
	10 Year Treasuries	0.500	8/15/2027	100.68	0.43
	30 Year Treasuries	2.500	8/15/2046	130.99	1.22
Japan	2 Year Treasuries	0.100	9/15/2019	0.00	0.00
	10 Year Treasuries	0.100	9/20/2027	0.02	0.02
	30 Year Treasuries	0.800	9/20/2047	0.83	0.83
US	2 Year Treasuries	1.250	8/31/2019	99.75	1.38
	10 Year Treasuries	2.250	8/15/2027	100.41	2.20
	30 Year Treasuries	2.750	8/15/2047	99.59	2.77

		Total Ret (%)		Historical Prices					
Currencies	Close	Week	YTD	1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
CAD / EURO	0.69	0.44	-2.94	0.68	0.70	0.78	0.70	0.73	0.65
CAD / USD	0.82	-0.28	10.23	0.76	0.90	1.03	0.97	0.83	0.73
CAD / UK POUND	0.60	-3.21	0.08	0.57	0.56	0.63	0.48	0.64	0.56
USD / AUSTRALIAN $	1.25	0.70	-10.01	1.33	1.11	0.95	1.19	1.40	1.23
USD / BRAZIL REAL	3.11	0.75	-4.30	3.30	2.34	2.01	1.90	3.51	3.04
USD / EURO	0.84	0.75	-11.95	0.89	0.77	0.76	0.72	0.97	0.83
USD / MEXICAN PESO	17.66	-0.29	-14.79	19.35	13.24	12.71	11.12	22.04	17.45
USD / UK POUND	0.74	-2.92	-9.17	0.76	0.62	0.62	0.50	0.83	0.73
USD / YEN	110.83	2.77	-5.24	102.10	107.19	78.39	115.37	118.66	100.09

Source: Bloomberg, as of September 15, 2017

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