

May 7, 2018

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

### U.S. unemployment reaches 18-year low

- U.S. nonfarm payrolls increased by 164,000 in April, missing consensus expectations for a second-straight month. Services sectors supported much of the gains with positions added in professional and business services, as well as the education and health category. Goods-producing sectors were largely positive, led by robust hiring in manufacturing.
- Despite weaker-than-expected job additions, the U.S. unemployment rate fell to 3.9% and the lowest level since 2000 as the labour force declined by over 200,000 participants.
- Wage growth was subdued in April with average hourly earnings unchanged at 2.6%.

### Eurozone data showing signs of cooling

- Eurozone economic growth eased in the first quarter of 2018 with GDP rising 0.4%, or 2.5% annualized. While positive, the economy showed signs of cooling after three consecutive quarters of 0.7% growth.
- Inflation also slowed more than expected to 1.2% annualized in April, down from 1.4% in the prior month. Core inflation also decelerated to 0.7% annualized and well below the central bank's target.
- Also reported, retail sales were relatively flat in March, rising only 0.1% and missing expectations for a 0.5% gain. Sales were up 0.8% on an annualized basis in March, which is a full percentage point lower than levels recorded in February.

### Canada's economy improves

- Canada's GDP grew by 0.4% in February and recorded the strongest gain in nine months after a slight drop in January.
- Growth was largely driven by a 2.4% gain in the mining, oil and gas sector, which rebounded after maintenance-driven declines in the prior month. Manufacturing (+1.0%) and construction (+0.7%) also reported strong growth.
- Overall, 15 of 20 sectors reported higher activity. The real estate, rental and leasing category was one of the few negatives, and has declined in consecutive months for the first time since 2010.

### Other economic news

- The U.S. Federal Reserve (Fed) unanimously voted to leave rates unchanged at 1.5% to 1.75% with consensus expectations calling for a June rate hike. The Fed noted inflation is close to target, but described price pressures as "symmetric", hinting that deviations above the target will be treated equally as deviations to the downside. PCE, the Fed's preferred measure of inflation, reached 2.0% in March, while core PCE rose to 1.9%.

- The ISM U.S. Manufacturing PMI fell 2.0 points to 57.3 in April due in part to rising raw materials costs and shortages of skilled workers. Overall activity remains strong, however, coming off of cycle-highs in February. The non-manufacturing index fell an equal amount to 56.8 in April, though recorded a 99<sup>th</sup> straight month of expansion (levels above 50.0).

## What's to come

### Canadian unemployment and U.S. inflation

- Canada's unemployment rate will be updated on Friday, along with housing data during the week. U.S. inflation is out Thursday, while the in U.K., the Bank of England will decide on interest rate policy.

Source: BMO Economics, TD Economics, Strategas Research, Reuters, CBC as of May 4, 2018

CANADIAN EQUITY INDEXES	Close	Return (CAD, %)		Annualized Return (CAD, %)				52 wk high	52 wk low
		Week	YTD	1YR	3YR	5YR	10YR		
S&P/TSX Composite PR Index	15,729	0.4	-3.0	2.2	0.8	4.8	1.0	16,421	14,786
S&P/TSX Composite TR Index	52,911	0.4	-2.0	5.2	3.8	8.0	4.0	54,682	49,253
Energy TR	3,583	1.8	-1.9	-1.1	-3.5	0.2	-1.4	3,763	3,197
Materials TR	2,766	1.3	-1.5	5.6	2.8	1.2	-2.7	2,944	2,491
Industrials TR	4,049	-0.2	1.0	11.1	9.7	14.7	10.5	4,059	3,575
Consumer Disc. TR	3,401	0.1	-1.1	8.4	8.4	16.3	10.5	3,484	3,048
Consumer Staples TR	5,592	-1.9	-7.6	-7.9	5.6	14.5	13.0	6,158	5,509
Health Care TR	515	2.7	-17.0	31.3	-49.1	-17.6	2.3	736	390
Financials TR	4,976	-0.3	-2.8	8.7	9.1	12.4	8.4	5,235	4,455
Information Technology TR	326	3.4	15.6	19.5	14.3	19.1	-3.2	336	253
Telecom Services TR	2,858	-1.5	-6.9	-2.8	8.1	8.2	8.8	3,157	2,798
Utilities TR	4,327	0.2	-6.6	-3.6	4.4	4.8	5.2	4,703	4,145
S&P/TSX 60 TR Index	2,530	0.5	-2.1	5.4	4.4	8.7	3.9	2,625	2,346
MSCI Canadian Small Cap PR Index	355	1.0	-2.2	2.2	0.2	2.4	0.9	370	336

WORLD EQUITY INDEXES	Close	Return (CAD, %)		Annualized Return (CAD, %)				52 wk high	52 wk low
		Week	YTD	1YR	3YR	5YR	10YR		
CAC 40 PR Index	5,516	-0.7	5.9	4.7	7.3	10.4	0.6	5,567	4,995
DAX 30 PR Index	12,820	0.6	1.3	3.3	7.8	12.9	5.9	13,597	11,727
DJIA PR Index	24,263	-0.3	0.6	8.3	12.5	15.6	8.9	26,617	20,553
DJIA TR Index	52,670	-0.3	1.3	10.8	15.4	18.5	11.8	57,461	43,726
FTSE 100 PR Index	7,567	-0.9	1.1	2.4	0.8	5.2	0.5	7,793	6,867
FTSE 100 TR Index	6,516	-0.8	2.5	6.6	5.0	9.2	4.4	6,609	5,884
FTSE/Xinhua A200	9,828	0.0	-2.5	14.5	-6.7	12.1	2.1	11,660	8,533
Hang Seng PR Index	29,927	-1.3	2.1	12.4	3.7	10.7	3.6	33,484	24,359
Hang Seng TR Index	81,161	-1.2	2.6	16.7	7.6	14.9	7.3	89,476	64,196
MSCIEAFE TR Index	8,171	-0.5	2.7	5.8	7.4	11.6	5.2	8,675	7,256
MSCI Emerging Markets TR	2,487	-1.8	0.9	11.2	7.6	9.7	4.5	2,772	2,102
MSCI Europe TR Index	10,101	-0.7	2.6	4.1	6.7	11.6	4.7	10,736	9,093
MSCI Far East Free (ex-Japan) TR	1,475	-0.7	2.1	14.4	8.6	13.3	7.5	1,613	1,212
MSCI World TR Index	8,487	-0.3	2.5	6.1	10.1	15.3	8.4	9,058	7,475
MSCI World AC TR Index	1,019	-0.5	2.3	6.7	9.9	14.7	8.0	1,093	894
NASDAQ Composite PR	7,210	1.2	7.1	11.0	15.1	22.1	13.9	7,637	5,997
Nikkei 225 PR	22,473	-0.7	3.8	10.4	10.0	13.3	6.8	24,129	19,240
Russell 2000 TR	7,731	0.5	4.9	6.8	12.0	17.5	12.1	7,926	6,614
Russell 2000 Growth TR	6,919	0.7	6.8	11.6	12.1	18.9	13.0	7,141	5,697
Russell 2000 Value TR	11,636	0.4	3.0	2.0	11.7	16.0	11.0	12,066	10,294
S&P 500 PR Index	2,663	-0.3	2.1	4.2	10.1	16.0	9.0	2,873	2,353
S&P 500 TR Index	5,202	-0.2	2.9	6.6	12.5	18.5	11.4	5,461	4,487
Shanghai Comp PR	3,091	-0.2	-2.0	0.1	-10.6	11.6	1.6	3,587	3,017

Interest Rates	Current	Next Meeting
Bank of Canada Overnight Lending Rate	1.25%	5/30/2018
Bank of England Repo Rate	0.50%	5/10/2018
European Central Bank Min bid rate at refi tender	0.00%	6/14/2018
Federal Funds Target Rate	1.75%	6/13/2018

<i>Commodities (USD)</i>	Close	Total Ret (%)		Historical Prices				high	52 wk low
		Week	YTD	1YR	3YR	5YR	10YR		
Copper	307	0.6	-7.1	250	292	331	386	332	247
Corn	399	2.4	13.7	358	359	700	602	400	329
Crude Oil	69.72	2.4	15.4	45.52	58.93	95.61	116.32	70.76	42.05
Gold	1,313	-0.6	0.8	1,230	1,189	1,467	858	1,366	1,205
Natural Gas	2.71	-2.2	-8.2	3.19	2.82	4.04	10.78	3.66	2.53
Nickel	13,975	1.0	9.9	8,967	13,713	15,160	28,275	15,545	8,700
Platinum	912	-0.4	-2.1	904	1,147	1,500	1,901	1,029	873
Soybeans	1,027	-1.7	7.9	965	983	1,455	1,293	1,071	900
Silver	16.54	0.1	-2.4	16.32	16.42	24.12	16.41	18.22	15.19
Wheat	528	6.5	23.5	426	469	711	796	554	387
Zinc	3,049	-2.5	-8.6	2,557	2,350	1,856	2,199	3,606	2,419

<i>Bond Yields</i>	Coupon	Maturity Date	Current Price	Yield to Maturity	
					Canada
	10 Year Treasuries	2.000	6/1/2028	97.07	2.33
	30 Year Treasuries	2.750	12/1/2048	107.40	2.41
ECB	2 Year Treasuries	0.000	3/13/2020	101.09	-0.59
	10 Year Treasuries	0.500	2/15/2028	99.60	0.54
	30 Year Treasuries	1.250	8/15/2048	100.50	1.23
Japan	2 Year Treasuries	0.100	5/15/2020	0.00	0.00
	10 Year Treasuries	0.100	3/20/2028	0.04	0.04
	30 Year Treasuries	0.800	3/20/2048	0.73	0.73
US	2 Year Treasuries	2.375	4/30/2020	99.76	2.50
	10 Year Treasuries	2.750	2/15/2028	98.30	2.95
	30 Year Treasuries	3.000	2/15/2048	97.63	3.12

<i>Currencies</i>	Close	Total Ret (%)		Historical Prices				high	52 wk low
		Week	YTD	1YR	3YR	5YR	10YR		
CAD / EURO	0.65	1.28	-1.97	0.66	0.74	0.76	0.64	0.69	0.62
CAD / USD	0.78	-0.13	-2.32	0.73	0.83	0.99	0.98	0.83	0.73
CAD / UK POUND	0.58	1.70	-2.52	0.56	0.55	0.64	0.50	0.63	0.54
USD / AUSTRALIAN \$	1.33	0.56	3.54	1.35	1.28	0.97	1.07	1.36	1.23
USD / BRAZIL REAL	3.53	2.04	6.52	3.19	3.09	2.01	1.65	3.57	3.08
USD / EURO	0.84	1.41	0.36	0.91	0.90	0.76	0.65	0.92	0.80
USD / MEXICAN PESO	19.27	3.54	-1.97	19.05	15.45	12.07	10.46	19.91	17.45
USD / UK POUND	0.74	1.85	-0.22	0.77	0.66	0.64	0.51	0.79	0.70
USD / YEN	109.12	0.06	-3.12	112.46	120.13	98.99	105.40	114.73	104.56

Source: Bloomberg, as of May 4, 2018

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Published Date: May 7, 2018