

# Portfolio Strategy

Global Portfolio Advisory Group



## Monthly Market Snapshot – May 2017

May 4, 2017

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### Monthly Overview

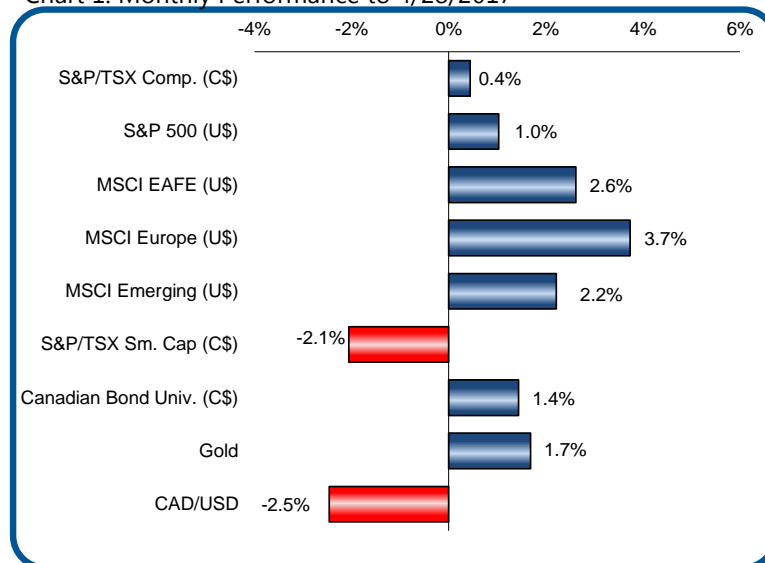
Equity markets around the globe generally climbed higher during the first month of Q2 2017. North of the border, the S&P/TSX Composite index pushed 0.4% higher through April on a total return basis. The TSX telecom sector was the best performer during the month, leaping 5.7%, followed closely by the consumer staples sector, which jumped 5.3%. Health care continued to struggle in April, as the sector was the worst performing of the 11 sectors in the benchmark index, retreating 7.3%.

In the U.S., the S&P 500 posted a 1% increase on a total return basis for the month. European shares rose 3.7%, while shares in the Far East advanced with the MSCI Emerging Markets index climbing 2.2%. All returns noted are in USD currency terms.

Softwood lumber trade between the United States and Canada has been a long standing dispute between the two nations, stemming from the early 1980s, as U.S. companies allege that Canadian lumber is unfairly subsidized by the Canadian provincial and federal levels of government and should therefore be subject to countervailing duties. With the goal of relieving the burden U.S. lumber companies claim is being placed on them by the companies north of the border, President Trump added fuel to the fire by triggering tariffs of up to 24% on softwood lumber imported from Canada. The Canadian government did respond to the rather hasty implementation of the tariff, with Natural Resources Minister Jim Carr expressing his displeasure with the outcome, stating "our government disagrees strongly with this decision," and that the duties levied on Canadian companies are "unfounded and we will vigorously fight for the interests of the Canadian softwood lumber industry, its workers, and their communities." Carr also noted that the government is exploring legal options. As Trump's overall stance on NAFTA remains in question, the President has also taken aim at the Canadian dairy industry, claiming that, "Canada has made business for our dairy farmers in Wisconsin and other border states very difficult."

Following the government of B.C.'s lead, Ontario's provincial leaders decided to implement a 15% tax on foreign and non-permanent resident home buyers within the Greater Toronto Area (as of April 20) with the goal of cooling off the scorching hot real estate market, where prices have surged 24.5% in the 12 months compared to the end of last April, according to the Toronto Real Estate Board. The tax has already had an impact, as the average sale price for all homes in the GTA through April was left little changed, up just 0.5% when compared to the month of March. Prices for detached homes in fact declined slightly through April, with the average price coming in at \$1,205,262 versus the average price of

Chart 1: Monthly Performance to 4/28/2017



Source: Bloomberg, All Returns are TR

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\$1,214,422 in March. Data released from the Toronto Real Estate Board also showed the supply of homes increasing, while buyers remain on the sidelines debating whether to weather the storm.

The remaining slack in the labour market in Canada, as well as developing geopolitical risks, were key factors in the Bank of Canada's decision to keep its overnight lending rate constant at 0.5%. BoC Governor Stephen Poloz downplayed strong showings in recent economic data that has had investors increasing their expectations of a rate hike sometime in the near future.

Also here in Canada, the price of staple goods rose 1.6% on a year-over-year basis to the end of March, as a climb in transportation costs contributed the most to the annual increase. That compares to the 2.0% rise that was seen in the 12-months to the end of February. Transportation costs continued to climb (up 4.6%) as gasoline prices, although decelerating from the previous period, proceeded to jump 15.2% through the year to March which followed a 23.1% leap in February. For a seventh consecutive month, food prices extended their declines through March, on a year-over-year basis, as food purchased from stores fell 3.6%, while food purchased from restaurants rose 2.4%.

More Canadians were hunting for work through the month of March, compared to February, as the unemployment rate notched 0.1% higher by March 31. Overall employment rose by 19,000 or 0.1%, as employment in Alberta led the measure higher, growing by 20,000 – all of which were in full-time work. Employment in Alberta has trended upward since September 2016, reversing the downward pattern the province witnessed between mid-2015 and August 2016. Through the first quarter of 2017, employment in Canada jumped 0.5% or 83,000, which was considerably higher than the 0.2% or 36,000 climb witnessed in Q1 2016.

Non-farm payrolls in the U.S. rose by 98,000 during March, coming in well below the Bloomberg consensus estimate of 180,000 additions. The monthly increase compares to the 219,000 expansion seen in February. Growth in the professional and business services and mining helped to pull the unemployment rate down 0.2% to 4.5%, which was also below Bloomberg estimates.

The GPAG team is maintaining its over weight equities versus fixed income bias, as the global economic backdrop remains constructive and as recessionary risks in the near term remain subdued. Given the large growth in equities, commodities, bond yields and currencies over the past year, the group believes that we could see a slight consolidation in the year ahead.

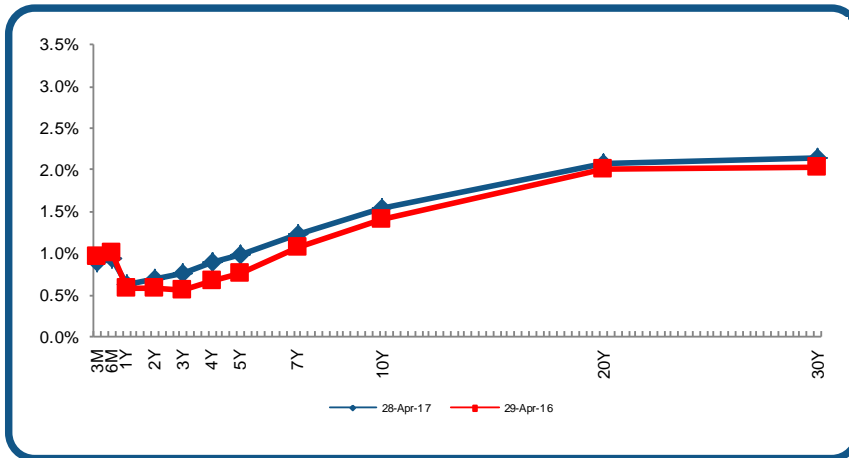
Data as of April 28, 2017

# Monthly Market Statistics: April 2017

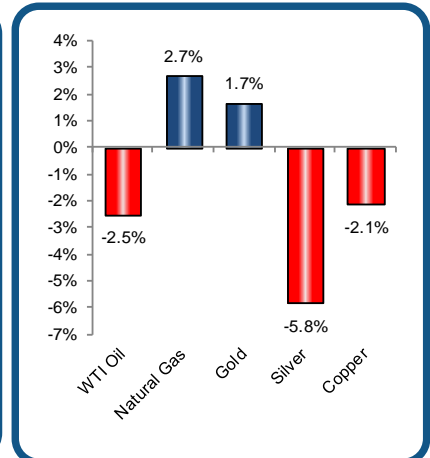
## Total Return Index Returns (Annualized After One Year)

|                  | Local Currency Returns |       |       |       |       |       |       | Canadian Dollar Returns |       |       |       |       |       |       |
|------------------|------------------------|-------|-------|-------|-------|-------|-------|-------------------------|-------|-------|-------|-------|-------|-------|
|                  | 1M                     | 3M    | 6M    | YTD   | 1YR   | 3YR   | 5YR   | 1M                      | 3M    | 6M    | YTD   | 1YR   | 3YR   | 5YR   |
| TSX Composite    | 0.4%                   | 2.0%  | 6.9%  | 2.9%  | 14.9% | 5.1%  | 8.1%  | 0.4%                    | 2.0%  | 6.9%  | 2.9%  | 14.9% | 5.1%  | 8.1%  |
| S&P 500          | 1.0%                   | 5.2%  | 13.3% | 7.2%  | 17.9% | 10.5% | 13.7% | 3.7%                    | 10.1% | 15.4% | 8.8%  | 28.2% | 18.9% | 21.3% |
| MSCI EAFE        | 1.5%                   | 6.3%  | 12.6% | 6.4%  | 18.7% | 8.0%  | 12.1% | 5.3%                    | 12.1% | 13.8% | 11.9% | 21.6% | 9.1%  | 14.4% |
| MSCI World       | 1.2%                   | 5.5%  | 12.8% | 6.8%  | 18.2% | 9.2%  | 12.8% | 4.2%                    | 10.6% | 14.5% | 9.8%  | 25.4% | 14.4% | 18.0% |
| MSCI Pacific     | 1.3%                   | 3.1%  | 11.4% | 4.0%  | 16.7% | 9.1%  | 13.1% | 3.5%                    | 8.3%  | 8.7%  | 9.6%  | 22.7% | 13.5% | 14.2% |
| MSCI Emerging    | 2.3%                   | 6.1%  | 8.2%  | 10.3% | 18.3% | 6.9%  | 6.1%  | 4.9%                    | 13.1% | 11.0% | 15.7% | 30.0% | 10.0% | 8.7%  |
| TSX Small Cap    | -2.1%                  | -1.1% | 5.3%  | -0.6% | 12.9% | 1.3%  | 3.7%  | -2.1%                   | -1.1% | 5.3%  | -0.6% | 12.9% | 1.3%  | 3.7%  |
| Global Small Cap | 1.7%                   | 5.0%  | 15.3% | 6.1%  | 20.9% | 9.8%  | 13.8% | 4.7%                    | 10.0% | 16.9% | 9.1%  | 28.3% | 15.4% | 19.1% |
| CDA Bond Uni.    | 1.4%                   | 2.8%  | 0.1%  | 2.7%  | 3.0%  | 4.4%  | 3.8%  | 1.4%                    | 2.8%  | 0.1%  | 2.7%  | 3.0%  | 4.4%  | 3.8%  |
| CDA 1-5 Yr Bond  | 0.4%                   | 0.9%  | 0.5%  | 1.1%  | 1.8%  | 2.1%  | 2.3%  | 0.4%                    | 0.9%  | 0.5%  | 1.1%  | 1.8%  | 2.1%  | 2.3%  |

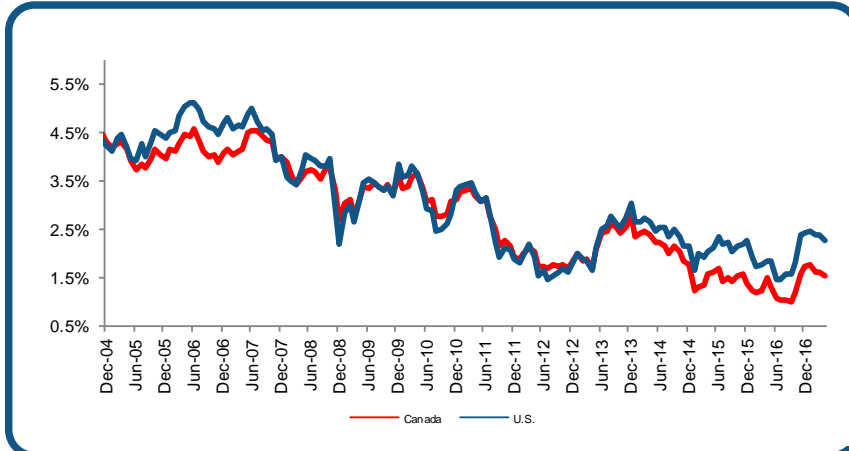
### Canadian Yield Curve



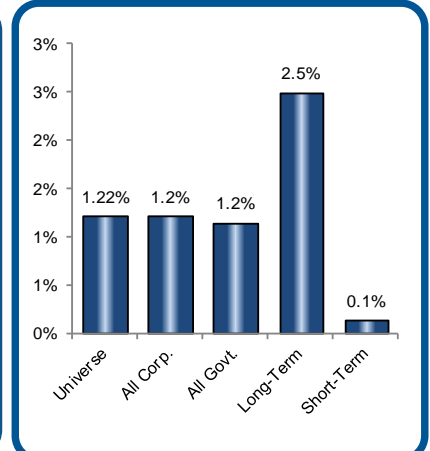
### Commodities Performance (1M)



### 10YR Government Bond Yields



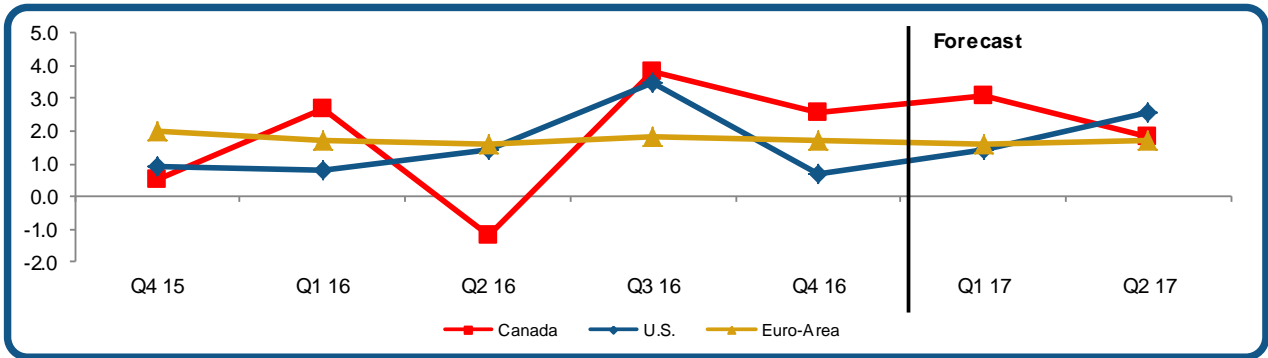
### FTSE/TMX Bond ETFs (1M)



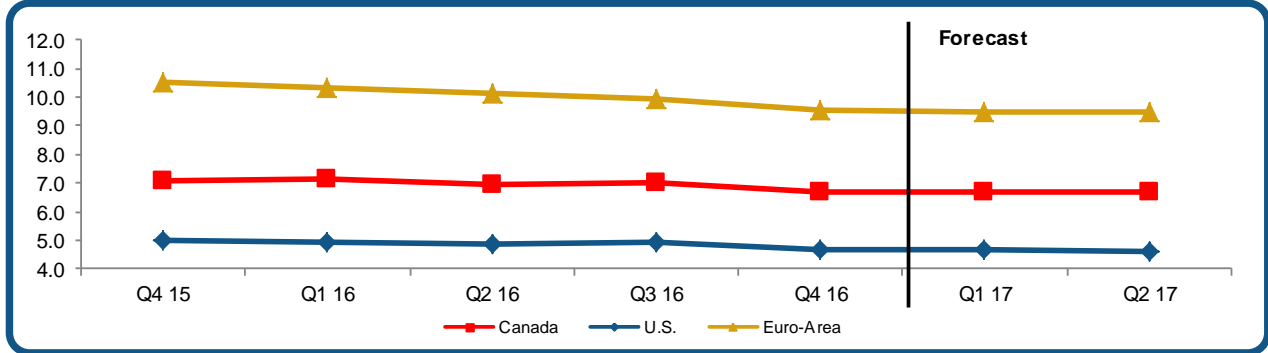
Source: Bloomberg, iShares.ca

# Economic Statistics

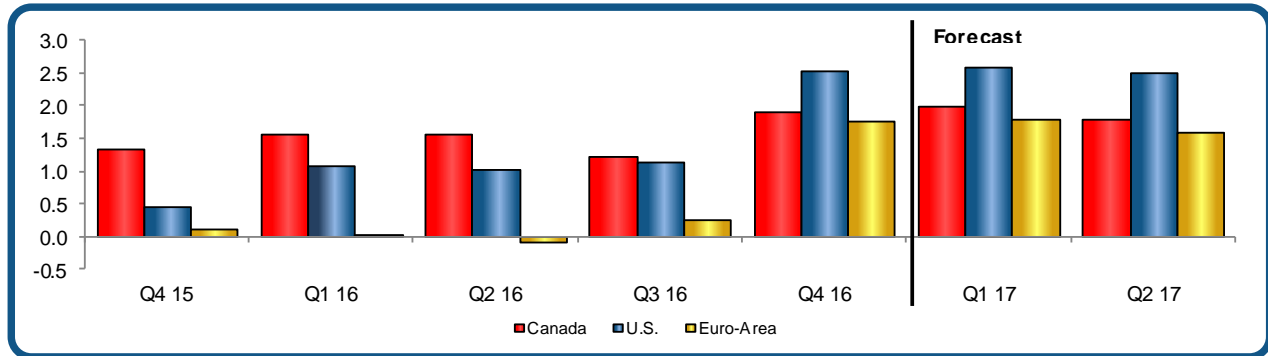
**Real GDP (%)**



**Unemployment Rate (%)**



**Consumer Prices (YoY %)**



Source: Bloomberg

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