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Monthly Overview

Equity markets were fairly mixed in January, with Canadian bourses ending the month in the red and most U.S. and global markets witnessing gains. Canada's large-cap benchmark index, the S&P/TSX Composite index was 1.4% lower in January. The always-influential energy space posted a 5.4% decline for the period and was Canada's weakest performing sector last month. This loss took place in the face of higher crude and natural gas prices. Information technology and financial services were the only Canadian sectors that managed to eke out gains during the month. The slight weakness for the Canadian market overall came despite the fact that the S&P/TSX Composite index reached a record closing high on January 4.

January was a much more profitable period for U.S. stocks, as the S&P 500 returned 4% in Canadian dollar terms. The biggest contributors to that juicy figure were consumer discretionary, information technology and healthcare stocks. Utilities and real estate stocks slipped on concerns over higher rates. The index surpassed 2,800 for the first time on January 17, ending the trading day at 2,803.

Looking abroad, international stocks posted gains across the board in January, with MSCI's EAFE and Emerging Markets benchmarks pushing 3.3% and 6.5% higher, respectively, in Canadian dollar terms.

Bond yields ended the month higher, leading to marginally negative returns for the fixed income benchmarks we follow. Recall that bond prices go higher when interest rates drop, and vice-versa, and we have been in an environment recently where both long-term and short-term rates have been on the rise.

Commodity prices were generally higher, with crude oil being the standout. WTI surged 7.1% in January and was higher by almost 23% over the past 12 months. Gold was also higher by 2.3%.

According to National Bank Economics, a flying start to 2018 puts the world economy on track to top last year's growth print of 3.7%. Buoyed by tax cuts, the U.S. will be among the growth leaders within the OECD, while emerging markets, buoyed by trade, should also do better than last year, despite an expected moderation in China. That said, an escalation of protectionist policies has potential to wreck the current virtuous dynamic between trade and growth.

Forecasters, including the IMF and the Bank of Canada, are upgrading their growth forecasts for Canada. The optimism is based on continued resilience of domestic demand, which is expected to be complemented by improving exports to the U.S. Those upgrades bring both organizations a bit closer but still not quite in line with National Bank Economics' 2018 growth forecast of 2.5%, which takes into account fiscal stimulus particularly from provincial governments. That outlook however, assumes Canada escapes protectionist policies to leave trade and investment flows unimpeded.

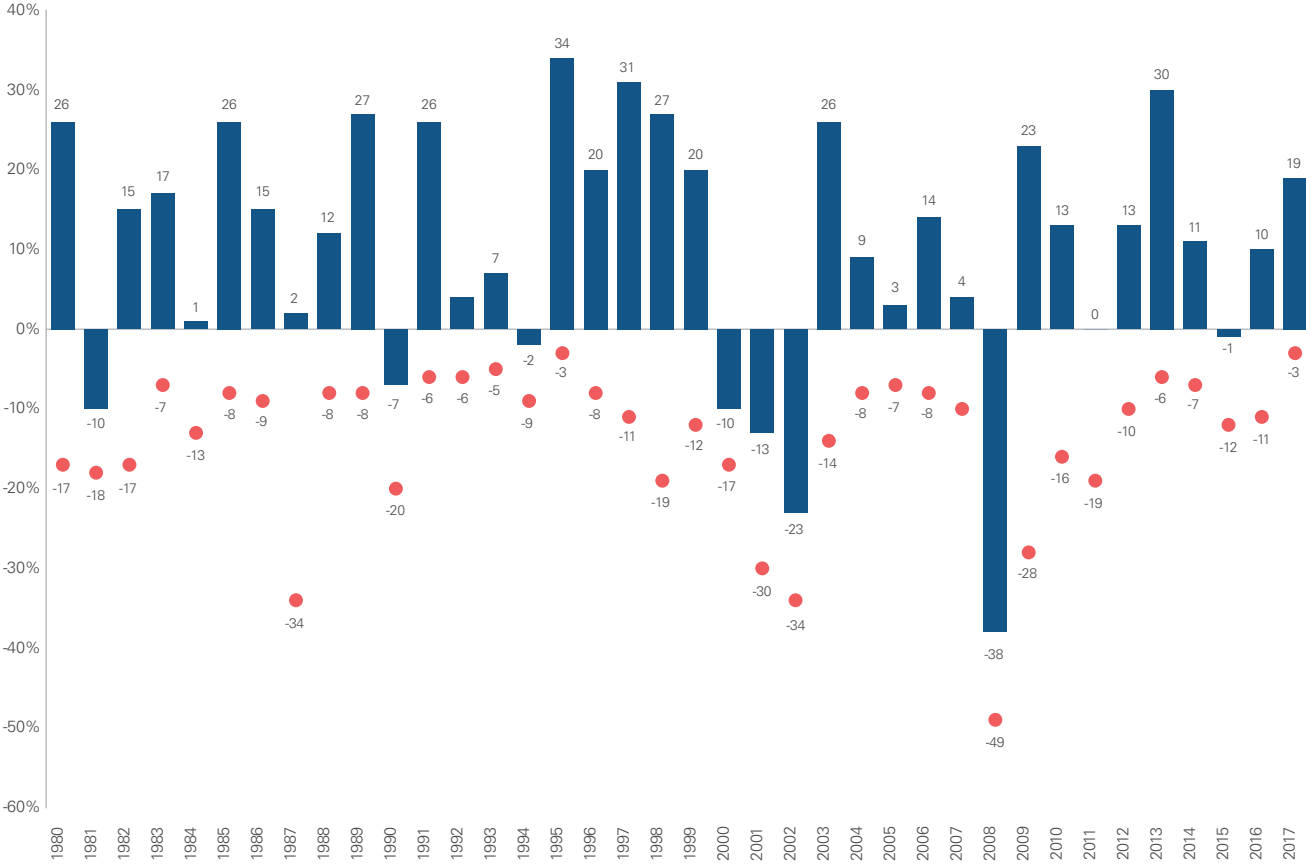
January's government shutdown will have minimal impact on the U.S. economy, but it is nonetheless a reminder that not all is rosy in the U.S. While many economists continue to call for 2.5% growth this year courtesy of solid economic fundamentals, this assumes Congressional dysfunction does not permanently hurt confidence of consumers and businesses.

Monthly Market Statistics

Data to January 31, 2018, unless otherwise indicated

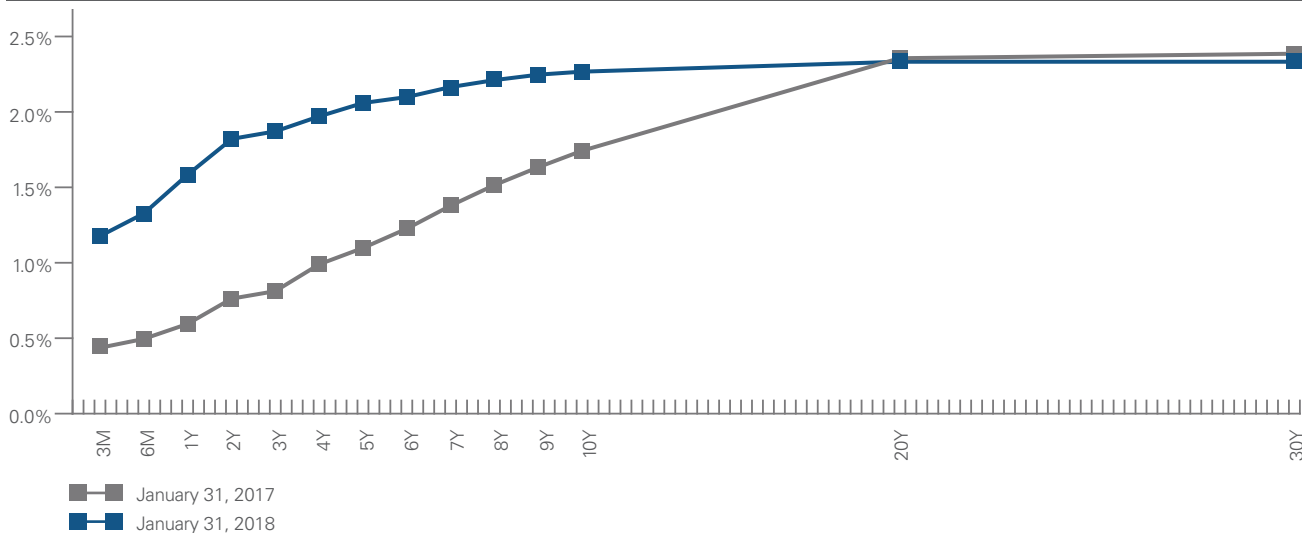
S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.8%, annual returns were positive in 29 of the past 38 years.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management

Canadian Sovereign Yield Curve



Source: Bloomberg

Monthly Market Statistics

Data to January 31, 2018, unless otherwise indicated

Equity Index Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
S&P/TSX Composite	-1.4	0.2	6.8	-1.4	6.7	5.9	7.8	7.3
S&P/TSX Small Cap	-2.2	0.7	4.8	-2.2	-0.1	6.2	4.3	14.1
S&P 500	4.0	5.2	13.8	4.0	19.4	13.4	20.9	9.9
MSCI EAFE	3.3	3.0	10.8	3.3	21.2	8.8	13.1	12.0
MSCI World	3.5	4.2	12.4	3.5	19.5	11.3	17.2	10.3
MSCI World Small Cap	1.8	2.7	11.8	1.8	18.0	12.8	18.3	10.8
MSCI Europe	3.2	2.1	9.4	3.2	22.9	7.8	12.4	12.0
MSCI EM	6.5	7.4	17.0	6.5	33.6	11.0	10.7	16.3
MSCI AC Asia	4.1	4.9	14.5	4.1	26.0	11.4	14.5	13.2

Source: Bloomberg

Fixed Income Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
FTSE TMX Canada Universe Bond	-0.8	-0.4	1.3	-0.8	1.8	0.8	3.0	3.4
Barclays Global Agg	-0.5	-1.9	1.0	-0.5	1.5	1.4	5.6	4.9
Barclays High Yield Very Liquid Index	-1.4	-4.3	-0.2	-1.4	-0.3	4.0	9.1	5.9

Source: Bloomberg

Commodity Prices (Prices and Returns in USD)

Commodity	1/31/2018 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	64.73	7.1	22.6
Natural Gas/mmBTU	3.00	1.4	-3.9
Copper/pound	3.20	-3.2	17.2
Silver/oz	17.24	0.6	-1.7
Gold/oz	1339.00	2.3	10.8

Source: Bloomberg

Economic Data

Canada	
Real GDP - Q4 (q/q ann. % change)	1.7
Consumer Prices (y/y % change)	1.9
Unemployment Rate, Dec '17	5.8
United States	
Real GDP - Q4 (q/q ann. % change)	2.6
Consumer Prices (y/y % change)	2.1
Unemployment Rate, Jan '17	4.1

Source: Bloomberg, Stats Canada

One Month Sector Returns (% in CAD)

Sector	S&P/TSX Composite	S&P 500
Consumer Discretionary	-0.3	7.5
Consumer Staples	-1.9	-0.1
Energy	-5.4	2.1
Financials	0.8	4.7
Health Care	-4.1	4.9
Industrials	-1.8	3.5
Info Tech	5.4	5.8
Materials	-0.6	2.4
Real Estate	-0.9	-3.5
Telecom Services	-4.5	-1.1
Utilities	-4.3	-4.7

Source: Bloomberg

Exchange Rates

Cross	12/29/2018	6 Mos Ago	1Yr Ago
USD/CAD	1.23	1.25	1.30
EUR/CAD	1.53	1.48	1.41
GBP/CAD	1.75	1.65	1.64
CAD/JPY	88.67	88.35	86.57

Source: Bloomberg

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