



Monthly Market Snapshot – March 2017

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Monthly Overview

Equities around the globe continued their 2017 rally through the month of February. Focusing on domestic markets the S&P/TSX Composite Index rose 0.2% during the period, including dividends; however, small cap stocks were dipped marginally, as the S&P/TSX Small Cap index fell 0.1%, on a total return basis. Real estate was the best performing sector at month end, climbing 5%, followed closely by health care, which rose 4.9%. In contrast, the materials sector faced the biggest monthly decline, sliding 3.7%.

In the U.S., the S&P 500 Index rose 4% on a total return basis during February, as nine of the eleven sectors in the benchmark index posted gains, with health care leading the way, up 6.4%. The energy complex was the worst performing sector on the month, as the group fell 2.2%. Equities outside of Canada and the U.S. also ended February higher, as MSCI's EAFE, Europe and Emerging Markets indices posted gains of 1.5%, 1.3% and 3.1%, respectively, in USD terms through the month.

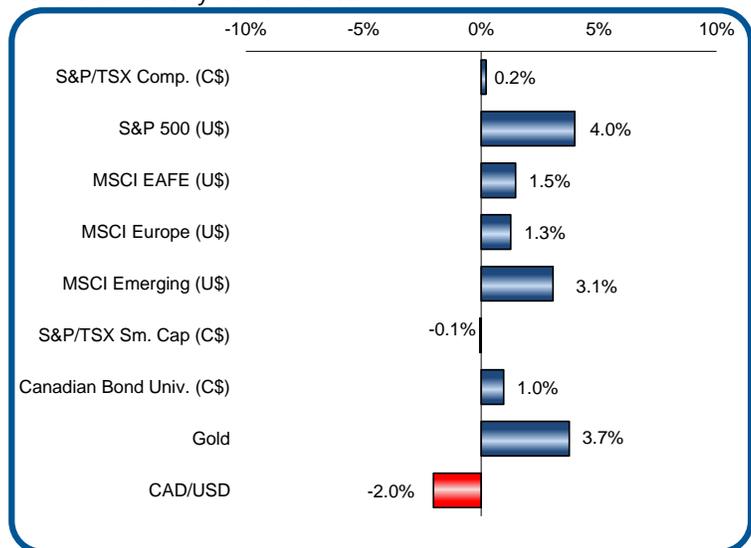
After meeting with various heads of State, Donald Trump met with Canadian Prime Minister Justin Trudeau on February 13, as investors hoped to garner some more clues as to what to expect as a result of NAFTA renegotiations. As many had hoped, Trump defined the United States' relationship with Canada as one that is a "much less severe situation than what's taken place on the southern border" and stating, "Our relationship with Canada is outstanding, and we're going to work together to make it even better". Investors should remain cautious, as Mr. Trump gave no direct answer as to how he would proceed with NAFTA talks besides stating his intent to "tweak" the Canada-U.S. side of the agreement.

Domestically, the price of staple goods rose 2.1% in the year through January, ahead of the consensus estimate of 1.6%, according to Bloomberg. Transportation and shelter prices contributed the most to the year-over-year advance, climbing 6.3% and 2.4%, respectively. The jump in transportation costs can be attributed to the largest increase in gasoline prices since September 2011, rising 20.6% in the 12 months to January, according to Statistics Canada. Prices for food continued to decline, dropping 2.1% through the same period. It was the fourth consecutive month of declines for the group, which hadn't seen a drop-off in prices since January 2000 before November 2016.

Canadian employment rose by 48,000, or 0.3%, through the end of January, which followed 54,000 additions through December. Less people were participating in the labour market in January, with unemployment falling by 0.1% to 6.8%.

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Chart 1: Monthly Performance



Source: Bloomberg, All Returns are TR

On a year-over-year basis, employment grew by 276,000 with most of the growth coming between August and January, according to Statistics Canada.

Employment data released south of the border showed that 227,000 jobs were added through the month of January, the most in four months, which came in well above the Bloomberg consensus estimate of 180,000. Wage growth rose 0.1% through January. Unemployment in the U.S. rose to 4.8% through January, as a result of 584,000 additions to the labor force.

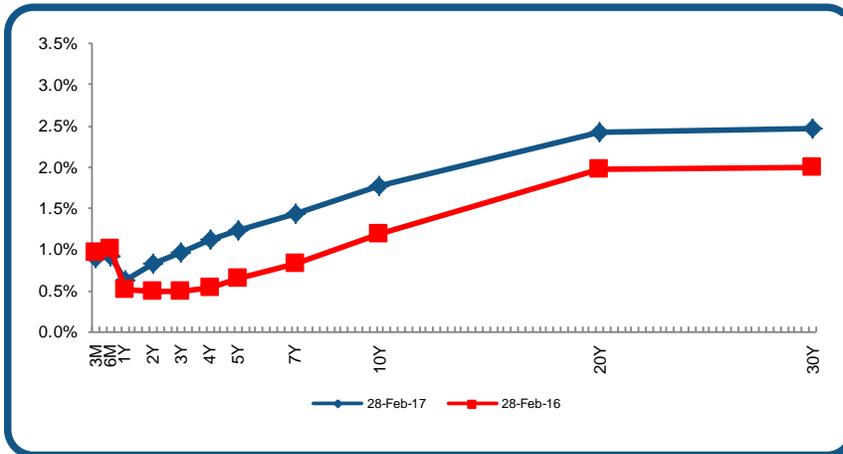
Following the U.S. Federal Reserve's second rate hike in a decade on December 14 2016, investors are now pricing in a 100% probability of a rate increase on March 15th (as of March 9th), which is materially higher than where the odds were at the end of February. Various members of the FOMC have expressed their willingness to raise interest rates, including Federal Reserve Governor Jerome Powell, who stated, "The case for a rate increase for March has come together".

Monthly Market Statistics: February 2017

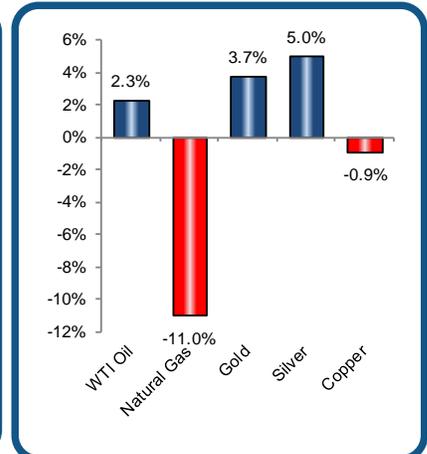
Total Return Index Returns (Annualized After One Year)

	Local Currency Returns							Canadian Dollar Returns						
	1M	3M	6M	YTD	1YR	3YR	5YR	1M	3M	6M	YTD	1YR	3YR	5YR
TSX Composite	0.2%	2.7%	6.9%	1%	23.2%	5.8%	7.2%	0.2%	2.7%	6.9%	1%	23.2%	5.8%	7.2%
S&P 500	4.0%	8.0%	10.0%	5.9%	25.0%	10.6%	14.0%	5.9%	7.0%	11.3%	4.6%	22.6%	17.6%	21.0%
MSCI EAFE	2.2%	6.9%	9.9%	2.3%	19.2%	6.7%	10.8%	3.3%	6.9%	6.2%	3.1%	14.1%	6.1%	12.1%
MSCI World	3.1%	7.4%	9.9%	4.5%	22.9%	8.8%	12.4%	4.7%	6.8%	9.3%	4.0%	19.7%	12.5%	16.8%
MSCI Pacific	1.1%	4.5%	12.6%	2.0%	21.0%	7.9%	12.3%	3.7%	5.7%	8.6%	4.9%	21.2%	11.3%	12.8%
MSCI Emerging	1.7%	6.0%	4.8%	5.7%	22.7%	6.0%	4.7%	5.0%	8.0%	6.9%	7.3%	27.5%	8.2%	6.1%
TSX Small Cap	-0.1%	4.4%	6.8%	0.5%	37.7%	3.0%	2.2%	-0.1%	4.4%	6.8%	0.5%	37.7%	3.0%	2.2%
Global Small Cap	2.4%	6.5%	11.2%	3.6%	28.1%	8.1%	13.4%	4.0%	6.0%	10.4%	3.2%	25.0%	12.1%	17.9%
CDA Bond Uni.	1.0%	0.3%	-2.4%	0.8%	19%	3.9%	3.4%	1.0%	0.3%	-2.4%	0.8%	19%	3.9%	3.4%
CDA 1-5 Yr Bond	0.3%	0.5%	0.3%	0.5%	15%	2.0%	2.2%	0.3%	0.5%	0.3%	0.5%	15%	2.0%	2.2%

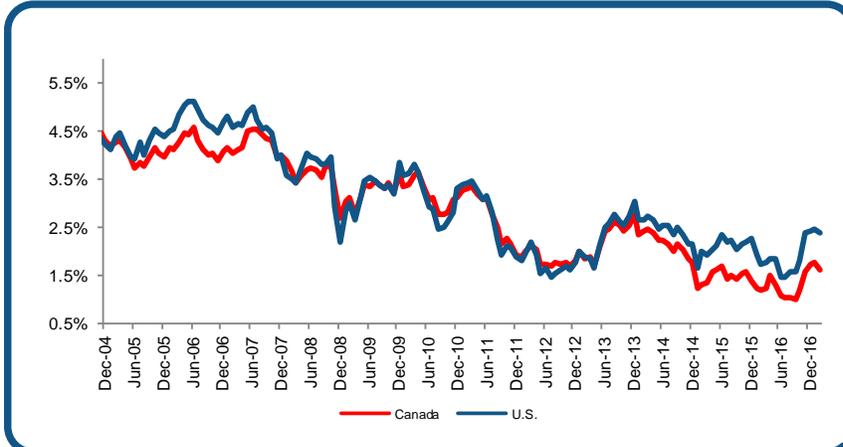
Canadian Yield Curve



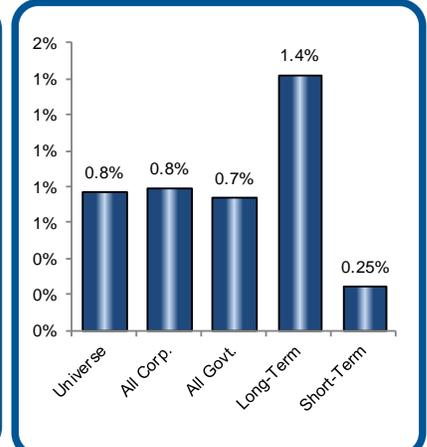
Commodities Performance (1M)



10YR Government Bond Yields



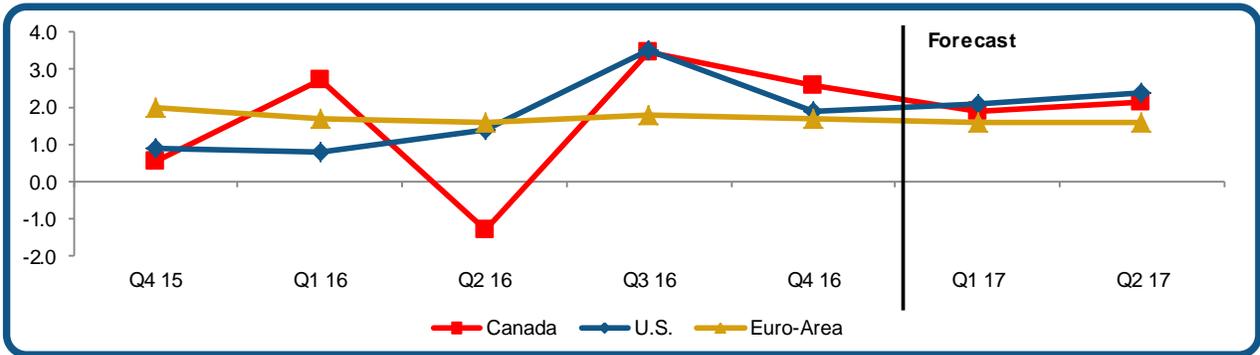
FTSE/TMX Bond ETFs (1M)



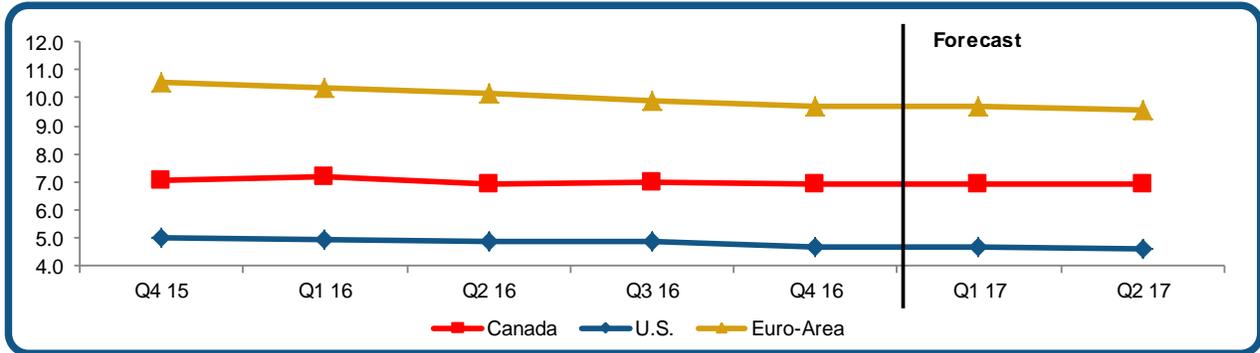
Source: Bloomberg, iShares.ca

Economic Statistics

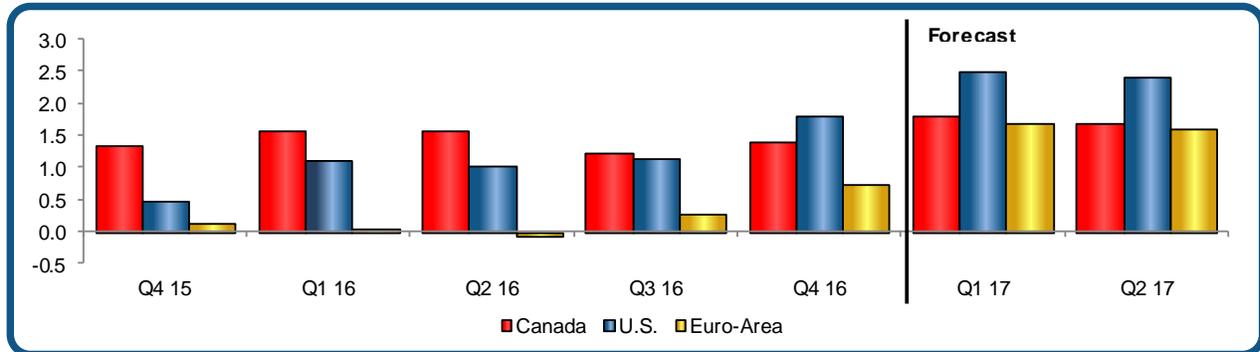
Real GDP (%)



Unemployment Rate (%)



Consumer Prices (YoY %)



Source: Bloomberg

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