Equities
Local currency, price only, % change

	3/23/2018	Week	1 Month	YTD	1 Year
S&P/TSX Composite	15,224	-3.1%	-2.7%	-6.1%	-1.4%
S&P/TSX Small Cap	613	-1.3%	-2.0%	-7.2%	-6.3%
S&P 500	2,588	-6.0%	-5.8%	-3.2%	10.3%
NASDAQ	6,993	-6.5%	-4.7%	1.3%	20.2%
Russell 2000	1,510	-4.8%	-2.5%	-1.7%	11.6%
Euro Stoxx 50	3,298	-4.1%	-4.2%	-5.9%	-4.5%
Nikkei 225	20,618	-4.9%	-5.8%	-9.4%	8.0%
MSCI EM Index (USD)	1,172	-3.4%	-3.6%	1.2%	21.1%

Fixed income
Total return, % change

	3/23/2018	Week	1 Month	YTD	1 Year
FTSE TMX Canada Universe Bond Index	1,032.57	-0.3%	0.4%	-0.4%	1.2%
FTSE TMX Canada All Corporate Bond Index	1,174.47	-0.3%	0.2%	-0.1%	1.8%

Interest rates - Canada
Change in bps

	3/23/2018	Week	1 Month	YTD	1 Year
3-month Tbill	1.10	3	-5	4	58
GOC bonds 2 yr	1.85	9	7	17	108
GOC bonds 10 yr	2.19	6	-5	15	51
GOC bonds 30 yr	2.31	2	-9	5	-3

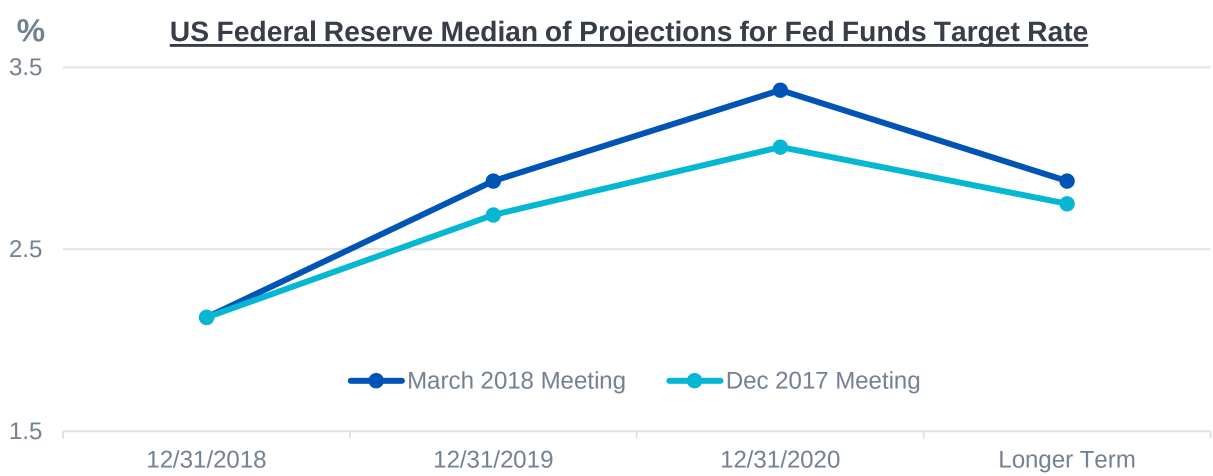
Currencies and Commodities
In USD, % change

	3/23/2018	Week	1 Month	YTD	1 Year
CDN $	0.775	1.6%	-2.0%	-2.5%	3.5%
US Dollar Index	89.44	-0.9%	-0.5%	-2.9%	-10.3%
Oil (West Texas)	65.83	5.6%	3.7%	9.0%	40.1%
Natural Gas	2.59	-3.6%	-2.5%	-5.7%	-10.5%
Gold	1,347	2.5%	1.4%	3.4%	8.2%
Copper	2.99	-3.7%	-7.4%	-9.7%	10.6%

Canadian sector performance
S&P/TSX Composite Index

	Week	YTD
Energy	-2.7%	-12.5%
Materials	-2.6%	-4.5%
Industrials	-4.2%	-5.2%
Cons. Disc.	-3.7%	-5.8%
Info Tech	-4.5%	12.8%
Health Care	-4.1%	-11.1%
Financials	-3.3%	-4.4%
Cons. Staples	-4.7%	-7.9%
Telecom	-3.8%	-9.3%
Utilities	0.7%	-7.1%
Real Estate	-0.4%	-2.1%

Chart of the week: A hawk in dove's clothing? No change to Fed's near-term path, but 2019 adds one more hike



The first Federal Reserve meeting under new Chair J. Powell brought a mixed message for markets. The ¼ point rate hike was no surprise and the Summary of Economic Projections (or 'dot plot') remained at two more rate hikes for 2018. The twist came in the 2019 and longer-term projections, which are signalling more rate hikes than previous. A closer parsing of the 15 opinions (the dots) shows that the dots were only two away from the Fed projecting rates at 3.1% by the end of next year and one dot away from three more hikes this year. So the 'dovish' 2018 outcome was as 'un-dovish' as possible. The bottom line is the Fed clearly recognizes that growth is strong and will be juiced by fiscal policy. They appear very determined to keep raising rates. The tightening was part of the equity market weakness and US bond yields would likely have risen on the week if not for trade, global growth and geopolitical concerns weighing them down.

Highlights

Global equities were stung by a series of macro and micro developments this week from trade, to tech, to monetary tightening. On the macro side, while we don't believe the synchronized global growth story is dead, there are some signs of strain. Purchasing Managers Indices continue to ebb from their lofty levels and commodity prices, outside of oil, are fading from their recent strength. The data is still solid, but it is bringing expectations down from their opening year and overly optimistic levels.

The trade uncertainty, brought about by the US' threat of tariffs on China, isn't helping the global growth narrative. Indeed, a full blown global trade war would imperil the growth story, but what we have witnessed thus far reeks of classic Trump tactics to threaten first and negotiate later. There is a lot more pageantry down on paper than actual policy. On the latest China tariffs, the US hasn't actually implemented anything and similarly, China's retaliatory tariffs (which are a pretty light-handed response) won't go into effect immediately either. The US government will be consulting US businesses on how to proceed and, in addition to inviting the Chinese to negotiate, is now touting the WTO as an avenue worth pursuing. If the steel and aluminum tariffs are any guide, we are to expect more bark than actual bite, as exemptions have been handed out to Canada, Mexico, Argentina, Brazil, the EU, Australia, and South Korea.

On the micro front, woes at Facebook hit the information technology sector and brought a cloud of uncertainty that regulatory clampdowns across the industry could crimp the growth story and increase costs. Markets further responded to disappointing guidance from cereal manufacturing giant General Mills. The company warned of rising cost pressures and an inability to meet demand due to capacity issues – exactly the kind of late cycle dynamics that might warrant more consideration. Of all the developments this week, this one would cause us the most worry, if it were not for indications that it is more of a company specific issue than a generally wide-spread problem.

Canadian equities outperformed while bond yields and the loonie rose on whispers that NAFTA negotiations made headway on the major issue of autos. The loonie and yields were further boosted by higher than expected inflation numbers.

Markets ignored positive readings on US durable goods orders and homes sales, along with progress on a Brexit deal. On a technical basis, the S&P 500 is very close to retesting the prior year low, often a constructive and necessary development before markets can truly recover

The week in review

- Canadian consumer prices (Feb) rose 0.6% m/m (versus 0.4% expected), annual inflation rose to 2.2% y/y (versus 1.9% expected). Two of the three Bank of Canada core measures also moved above 2% on a y/y basis.
- Canadian retail sales (Jan) rose 0.3% m/m (versus 1.1% expected). Core spending (excluding both autos and gas) rose a solid 0.9% m/m.
- The US Federal Reserve raised policy rates by 25 bps as expected; the target range sits at 1.50% to 1.75%.
- US durable goods orders (Feb) jumped 3.1% m/m (versus 1.6% expected). Core orders (nondefense capital goods orders ex aircraft) were up a solid 1.8% m/m.
- US existing home sales (Feb) increased 3.0% m/m (versus 0.4% expected) marking the first increase in three months.
- The eurozone manufacturing PMI (Mar) dropped 2 points to 56.6. The services PMI fell 1.2 to 55.0, leaving the composite level at 55.3.
- The Bank of England stayed on hold at its latest meeting, leaving the bank rate 0.50% and the Asset Purchase Programme at £435 billion.
- UK inflation (Feb) rose 0.4% m/m; the y/y level fell 0.3% to 2.7%.
- Japan's headline inflation (Feb) increased 0.1% to 1.5% y/y, in line with expectations. Core CPI came in at 1.0% y/y.
- The Japan manufacturing PMI (Mar) fell 0.9 to 53.2.
- The People's Bank of China lifted its 7-day reverse repo rate 0.05% to 2.55%.

The week ahead

- Canadian and UK GDP data
- US consumer confidence, personal spending, incomes and core PCE inflation
- Japan retail sales and industrial production