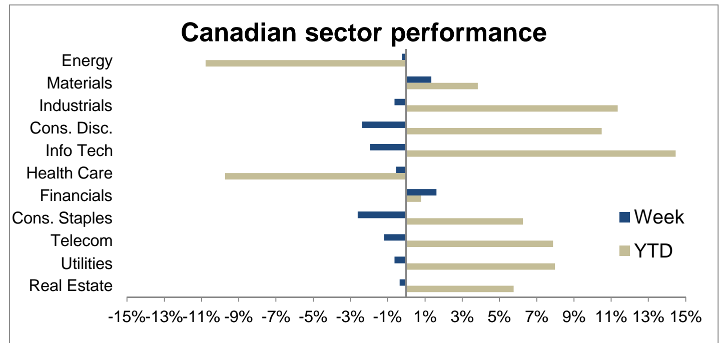
Weekly Market Snapshot

For the week ending June 9, 2017

Equities (local currency, price only, % change)	6/9/2017	Week	QTD	YTD	1 Year
S&P/TSX Composite	15473.21	0.20%	-0.48%	1.21%	8.66%
S&P/TSX Small Cap	626.14	0.33%	-5.75%	-4.94%	1.38%
S&P 500	2431.77	-0.30%	2.92%	8.62%	14.95%
NASDAQ	6207.92	-1.55%	5.01%	15.32%	25.19%
Russell 2000	1421.71	1.16%	2.58%	4.76%	20.36%
Euro Stoxx 50	3586.07	-0.16%	2.43%	8.98%	19.97%
FTSE 100	7527.33	-0.27%	2.79%	5.38%	20.79%
Nikkei 225	20013.26	-0.81%	5.84%	4.70%	20.07%
Shanghai Composite	3158.40	1.70%	-1.99%	1.76%	7.90%
MSCI EM Index (USD)	1018.19	0.31%	6.24%	18.08%	21.64%

Fixed Income (total return, % change)	6/9/2017	Week	QTD	YTD	1 Year
FTSE TMX Canada Universe Bond Index	1048.66	-0.19%	2.41%	3.69%	2.28%
FTSE TMX Canada All Corporate Bond Index	1182.34	-0.10%	2.09%	3.95%	4.27%

Interest Rates - Canada (change in bps)	6/9/2017	Week	QTD	YTD	1 Year
3-month Tbill	0.51	0	-1	5	0
GOC bonds 2 yr	0.74	5	-1	-1	22
GOC bonds 10 yr	1.42	2	-20	-30	24
GOC bonds 30 yr	2.03	2	-27	-28	19



Currencies and Commodities (in USD, % change)	6/9/2017	Week	QTD	YTD	1 Year
CDN $	0.74	0.12%	-1.11%	-0.20%	-5.55%
US Dollar Index	97.27	0.58%	-3.07%	-4.83%	3.53%
Oil (West Texas)	45.83	-3.84%	-9.43%	-14.69%	-9.36%
Natural Gas	3.04	1.33%	-8.35%	-15.25%	0.46%
Gold	1266.76	-0.97%	1.41%	10.39%	-0.24%
Copper	2.65	2.91%	-0.69%	5.22%	27.84%
CRB Index	176.76	-0.67%	-4.91%	-8.18%	-9.41%

NORTH AMERICAN EQUITIES

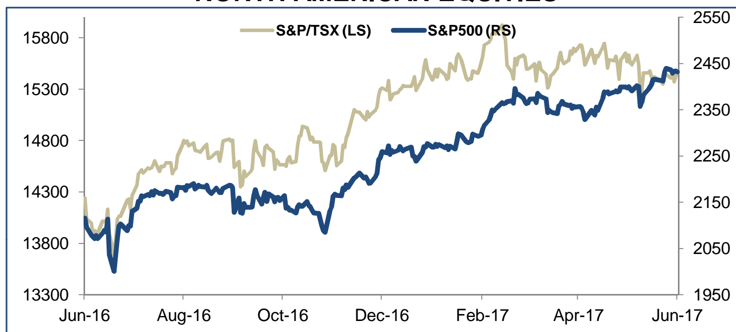
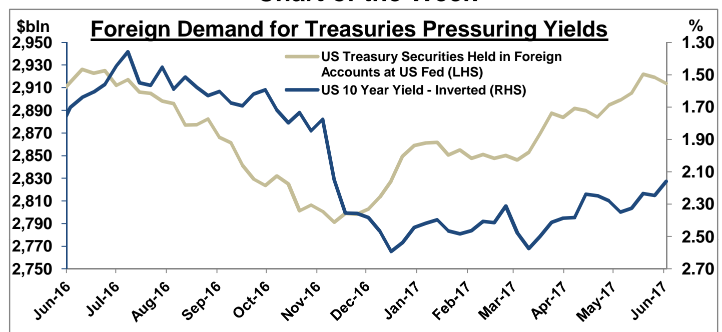


Chart of the Week



HIGHLIGHTS

Please note that due to vacation the full commentary for GLC's weekly market snapshot will not be published again until Monday, June 26, 2017.

Capital markets don't like uncertainty, but once an event happens repeatedly, even if it is an unwelcome event, market reactions become more and more muted. Such is becoming the case with politics. The past week's muted reaction to the UK election and on-going Russia/Comey/Trump saga are a case in point. Capital markets are growing numb to these distractions, seeing little evidence that the outcomes carry much impact, at least in the near-term.

From a market movement perspective, the week was quiet and few assets made moves that would draw much attention. The UK pound, shares of tech companies and banks, and the price of oil being the only notable movers.

Sterling (-1.25% on the week) was the only minor casualty to the UK Conservatives losing their parliamentary majority, as Teresa May's gamble to strengthen her previous slim majority back-fired. The outcome is speculated to soften the UK's approach to Brexit negotiations. It also brings an extra layer of uncertainty to the table, as minority governments can certainly fall.

After closing at another all-time high on Thursday, a sharp price decline in shares of technology companies on Friday sent the NASDAQ to its largest weekly loss since December of last year. Investors seemed to have been spooked by a note from Goldman Sachs warning that low volatility in companies such as Facebook, Amazon, Apple, Microsoft and Alphabet may be blinding investors to their risks. Technology stocks have been the market darling for US investors this year. With skyrocketing valuations, any potential shift in momentum can trigger profit taking. It remains to be seen whether Friday was merely a short term setback for the sector, or if this will lead to a more lasting shift in sentiment.

Financials were strong performers. Even though Canadian banks enjoyed a lift, they continued to lag their global peers. The S&P/TSX bank sub-index rose 1.88%, the Euro Stoxx 50 bank sub-index rose 2.32%, and the S&P 500 bank sub-index jumped 4.86% - its largest weekly gain since early December of 2016.

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The move higher for European banks comes during a week when Santander (Spain's largest bank) rescued its struggling rival Banco Popular. Santander purchased the entire bank for a nominal one euro after European authorities determined the lender was on the verge of insolvency. The orderly bank failure illustrates just how much the world has changed from a few years ago, and is further evidence that the eurozone is indeed healing.

US financials benefitted from hope that a repeal of the 2010 Dodd-Frank financial regulations is one-step closer as legislation passed the House. While the bill isn't expected to earn sufficient support in the Senate (and therefore the new rules in their present form are unlikely to become law), the Senate is working up its own legislation. Investors weary from the antics in Washington heralded progress of any kind. The financial sector was also bolstered by a shift in tone towards bond yields. The US 10-year yield moved back above its 200 day-moving-average, and while yields rose only slightly, it was enough to interrupt the month long weakening trend.

We feel the move lower for North American yields over the past two months is less of a condemnation on economic growth, and more a reflection that US Treasuries are a global security whose yield is influenced by a variety of factors. As a secure and liquid tool for global investors, US bond yields are subject to influence from geo-political uncertainty and central bank positioning. Support for this notion is confirmed by the increase in purchases of US government bonds owned by foreign central banks - which turned markedly higher just as US 10-year yields peaked at 2.6% in early March. Since March 1st, holdings are up $88.2 billion (rising to $2.93 trillion), while over the same period US 10-year bond yields have been weak (see Chart of the Week). The data doesn't disclose who the buyers are, though reserves in China and Japan have rebounded this year. In China, foreign reserves, which had fallen by 25% (or US$1 trillion) between June 2014 and January 2017, have now risen for four straight months to $3.05 trillion, with May's increase marking the largest since April 2014.

The rise in North American yields also came amidst the European Central Bank (ECB) maintaining its dovish stance, an outcome that should have put downward pressure on yields. The economic data in Europe has been coming in strong. In response, the ECB has shifted its tone only slightly and remains committed to the asset purchase program (QE) on the premise that inflation remains too low.

The Canadian dollar managed to gain even as oil prices fell and the US dollar strengthened against other major currencies. The Loonie was supported by more (or rather mounting) evidence that, despite sluggish exports, the Canadian economy is strong. The latest data on Canadian job creation blew past expectations. Canadian employment rose by 54,500 jobs in May, more than 3X expectations. The unemployment rate rose 0.1% to 6.6%, as expected, but the rise was due to a 0.2% increase in the participation rate to 65.8% - a welcome development. Perhaps most encouraging, wage growth rebounded from April's record low, doubling to 1.3% y/y.

The price for oil remains a stain on the Canadian economic outlook. Oil prices tested their earlier year lows as US oil and gasoline inventories rose (despite the seasonal expectation for a decline) and exports of Nigerian crude resumed after a year hiatus. Even political friction in the Middle East didn't lift oil prices (noting the rift against Qatar that led to concerns about the OPEC/Russia production agreement breaking apart).

The week ahead brings two central bank meetings – the US Fed and the Bank of Japan. On the data front, we will see the release of US, UK and eurozone inflation data; US, Japan, China and eurozone industrial production; and US and China retail sales numbers.

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