Weekly Market Snapshot

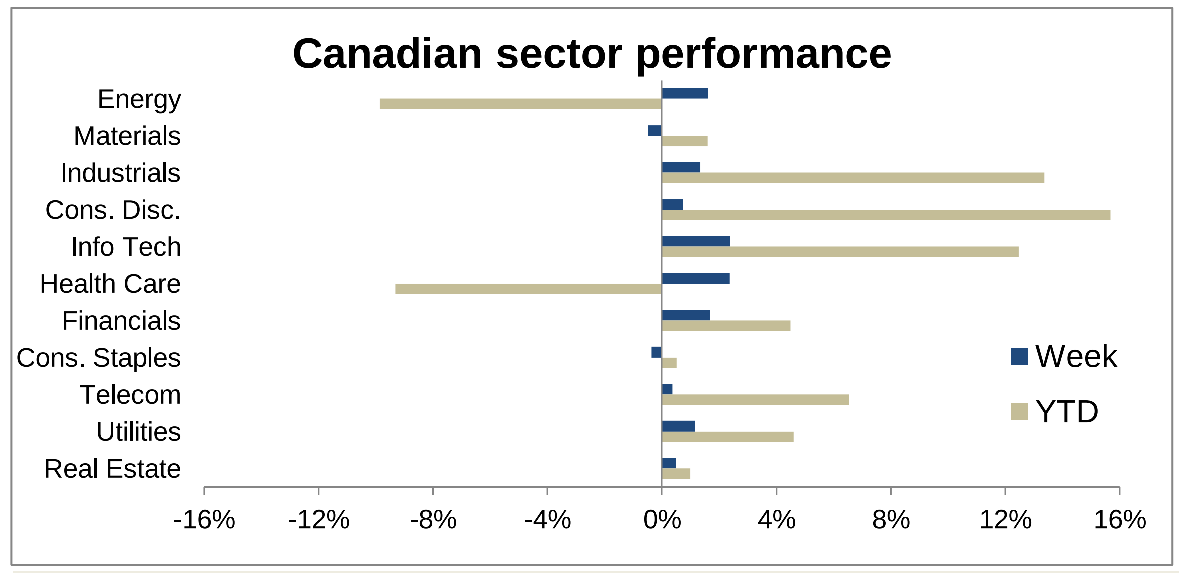
For the week ending September 29, 2017

GLC ASSET MANAGEMENT GROUP

Equities (local currency, price only, % change)	9/29/2017	Week	QTD	YTD	1 Year
S&P/TSX Composite	15634.94	1.17%	2.98%	2.27%	5.97%
S&P/TSX Small Cap	634.45	-0.22%	1.75%	-3.68%	-1.55%
S&P 500	2519.36	0.68%	3.96%	12.53%	17.12%
NASDAQ	6495.96	1.07%	5.79%	20.67%	23.28%
Russell 2000	1490.86	2.76%	5.33%	9.85%	20.45%
Euro Stoxx 50	3594.85	1.51%	4.44%	9.25%	20.17%
FTSE 100	7372.76	0.85%	0.82%	3.22%	6.55%
Nikkei 225	20356.28	0.29%	1.61%	6.50%	21.94%
Shanghai Composite	3348.94	-0.11%	4.90%	7.90%	11.69%
MSCI EM Index (USD)	1081.72	-1.86%	7.02%	25.45%	18.43%

Fixed Income (total return, % change)	9/29/2017	Week	QTD	YTD	1 Year
FTSE TMX Canada Universe Bond Index	1016.28	0.14%	-1.84%	0.48%	-3.24%
FTSE TMX Canada All Corporate Bond Index	1154.33	0.18%	-1.34%	1.49%	-0.63%

Interest Rates - Canada (change in bps)	9/29/2017	Week	QTD	YTD	1 Year
3-month Tbill	1.00	0	29	54	47
GOC bonds 2 yr	1.52	-9	42	77	102
GOC bonds 10 yr	2.10	-1	34	38	115
GOC bonds 30 yr	2.47	2	33	16	85



Currencies and Commodities (in USD, % change)	9/29/2017	Week	QTD	YTD	1 Year
CDN $	0.802	-1.04%	3.95%	7.77%	5.44%
US Dollar Index	93.08	0.98%	-2.67%	-8.94%	-2.57%
Oil (West Texas)	51.67	2.70%	12.23%	-3.82%	8.03%
Natural Gas	3.01	-0.46%	-3.56%	-16.56%	-2.65%
Gold	1279.75	-1.35%	3.07%	11.53%	-3.08%
Copper	2.96	0.36%	8.36%	17.03%	32.90%
CRB Index	183.09	-0.26%	4.76%	-4.89%	-1.47%

NORTH AMERICAN EQUITIES

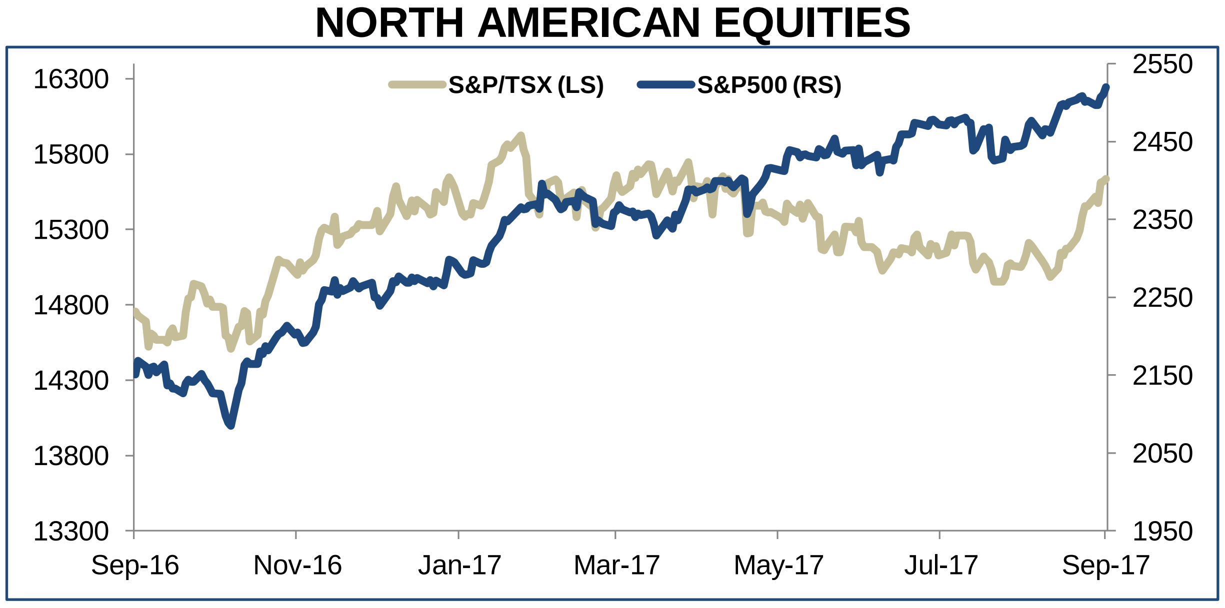
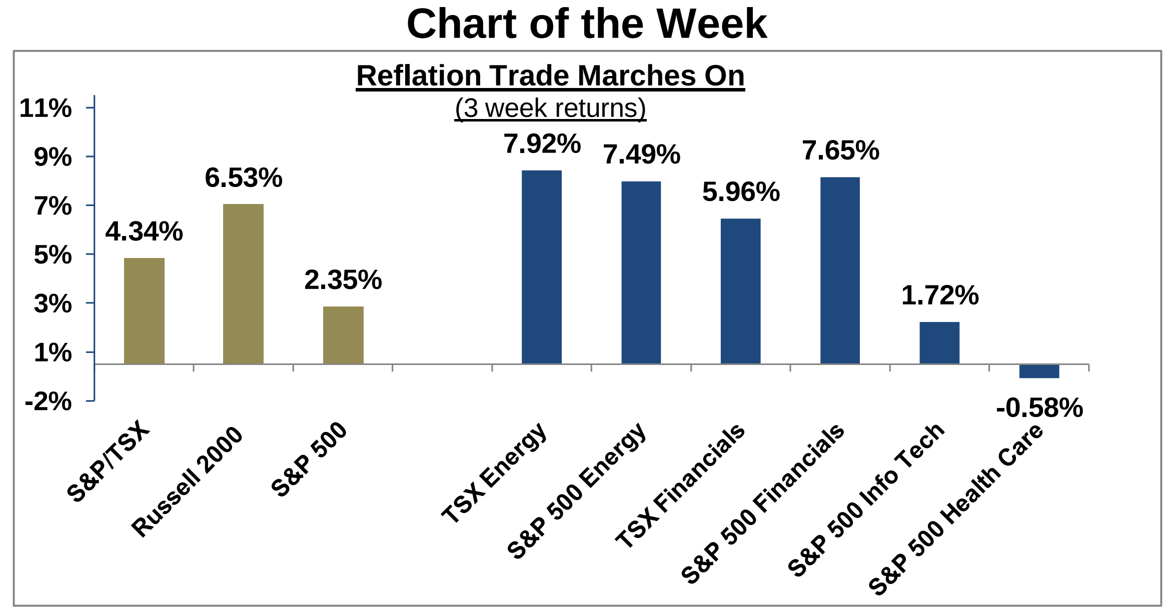


Chart of the Week



HIGHLIGHTS

Our thoughts go out to the victims and their families affected by the tragic events in Edmonton and Las Vegas.

The stronger growth and firmer inflation ('reflation') trade marched on for a third straight week as the world continues to deliver solid economic data. The unveiling of the Republican tax plan and higher oil prices offered a further catalyst for equity markets to rally. Comments from the heads of both the US and Canadian central banks sent US and Canadian bond yields and currencies in opposite directions. US yields rose, even as a key measure of US inflation disappointed. The relative impact of the 'reflation' trade is becoming quite stark as the year's previously un-loved markets and sectors make-up ground vs. the incumbent year-to-date winners. This is especially true for the S&P 500 info tech and health care sectors (see Chart of the Week).

On the data front, the third estimate of US Q2 GDP was revised up to 3.1% q/q annualized from 3.0%; the first reading was only 2.6%. US durable goods orders, a proxy for future business capital expenditures, rose 1.7% m/m in August. The two key components, orders and shipments, were mixed. Core orders jumped 0.9% m/m, suggesting solid activity heading into Q4. However, core shipments fell 1.5% m/m, with the reading likely impacted by the recent hurricanes. US consumer confidence slipped 0.6% in September, the first decline since June and a 3-month low. That said, consumer confidence remains close to a 16-year high. The monthly reading saw weak consumer confidence in response to the 'present situation', but this was offset by stronger consumer confidence in relation to 'future expectations' - a reading consistent with the hurricanes' impact. August US personal incomes rose 0.2% m/m, but wages were flat after two solid months of 0.4%-to-0.5% increases. When adjusted for inflation the mild nominal result means real spending actually fell 0.1% for the month, the first decline of 2017. Going forward, readings from the US economy will be choppy as the hurricanes' impact rolls through. How markets and the Federal Reserve interpret the data remains important as a pick-up in US growth and inflation are key components of the current 'reflation' theme.

September eurozone economic confidence hit another 10-year high, rising to 113.0, as negotiators from round four of the Brexit discussions emerged citing constructive talks. Although, the UK economy appears to be faring less well than originally thought. UK Q2 GDP was revised lower to 1.5% y/y from 2.0%. Similarly, despite the US slapping a punitive 220% duty on imports of Bombardier's C-Series Jet, representatives from all three countries praised the third round of NAFTA negotiations as highly productive.

continued on page 2

The Nikkei Japanese Manufacturing Purchasing Managers' Index (PMI) for September rose 0.4 points to 52.6, a four-month high. Japanese Prime Minister Abe called for a snap election to be held on October 22nd and announced a ¥2 trillion (US$18 billion) stimulus package. The Japanese economy is showing some relative strength, but inflation remains slow to respond. August headline inflation did beat expectations by 0.1% at 0.7% y/y, but core inflation is a paltry 0.2% y/y. These numbers will keep the Bank of Japan pursuing extraordinary monetary policy that pressures bond yields globally.

President Trump and Republican leaders published a basic outline of their ambitious tax code reform. The highlights include:

- cutting the corporate tax rate to 20% from 35%;
- cutting the top rate on individuals to 35% from 39.6%;
- reducing the number of individual brackets;
- ending estate taxes;
- incentives for business investment;
- a one-time tax on repatriating overseas corporate earnings;
- limits to the ability of corporations to deduct interest; and
- repeals to state and local tax deductions for individuals.

The outline provides few details on how to pay for the tax cuts, leaving those crucial details to Congress. As such, the proposal might be a “best case” scenario and the final agreement (if there ever is one) is likely to be different. What we do know is months of negotiating lie ahead and most expect the negotiations will linger well into Q1 of 2018. Similar to the on again/off again border adjustment tax, as the negotiations play-out, various sectors and individual companies that stand to either benefit or be hurt are expected to trade off the latest developments or rumours.

Central bankers remain in focus as speeches from both US and Canadian officials moved bond yields and currencies. Bank of Canada Governor Stephen Poloz delivered remarks that sent short-term bond yields and the Canadian dollar lower. Governor Poloz reiterated recent dovish comments from Deputy Governor Lane, including that the bank is “watching closely... movements in longer-term interest rates and the exchange rate." Governor Poloz added that “there is no predetermined path for interest rates… monetary policy will be particularly data dependent…and, as always, we could still be surprised in either direction." The data from Canada this week disappointed, with real GDP for July coming in flat vs. expectations for a 0.1% m/m rise. Given that the past year’s pace of acceleration in the Canadian economy has been well above expectations and long-term potential, we see the moderation as a natural and healthy development. The odds of a Bank of Canada rate hike by year-end have fallen from over 80% three weeks ago, to just 60% now.

In contrast, US bond yields and the US dollar rose on comments from Federal Reserve (Fed) Chair Janet Yellen. Fed Chair Yellen acknowledged that there is uncertainty surrounding inflation that is making the Fed more cautious than they otherwise would be at this stage in the cycle, but that it is not yet preventing them from normalizing policy in a gradual fashion. The Fed’s preferred inflation measure, the core PCE deflator, did not bolster the case for a rate hike. The PCE rose 0.1% m/m as expected, but the y/y trend slowed for the second month in a row to 1.3% which is the slowest pace since October 2015. Market based odds for a Fed rate hike by year’s end sit at 67%.

The week ahead brings the bulk of PMI releases globally, along with Canadian and US employment and trade data.