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DEKKER HEWETT GROUP

Market Watch Weekly

Issue 13

Friday, April 6, 2018

We have had another wild week in North American equities as the volatility that has challenged investors in February and March seems to be quite happy to stick around in early April. Any mid-week optimism that the tariff negotiations between the US and China may avert an all-out trade war was clearly short lived.

As much as multiple members of the Trump administration tried to downplay the potential fallout from the brewing trade battle between the world's two largest economies, we saw a quick return to the growing conflict late Thursday when the White House said they were considering adding tariffs on another \$100 billion of Chinese goods annually. Where it all takes us in the coming weeks is anyone's guess.

As we construct bespoke portfolios for our clients here at Dekker Hewett Group, we can only try to downplay the noise in the financial press and focus on the economic fundamentals that we believe remain firmly in place. A quick recap would have us highlight:

- Solid global growth that is still with us but at a slowing pace (entering a goldilocks scenario that may temper rate increases)
- Positive corporate activity in the US and Europe as we enter earnings season
- Record amount of dividends being paid as well as share buybacks exceeding equity issuance
- Capital spending improvement and infrastructure projects starting
- Real household median incomes improving as employment gains continue
- A demographic-driven push to higher home ownership led by millennials

All of the above are strong positives that we believe will take equity prices higher through to year end.

Still focussing on the meaningful releases out today, the Bureau of Labour Statistics announced that March non-farm payrolls rose by only 103,000 against expectations in the 175k-185k range. The February release, however, was revised upwards and the consensus that the current state of the US labour market remaining robust held firm. Once again, investors keyed in on the annual wage growth number that rose by 2.7%.

The US unemployment rate held steady at 4.1%, leaving market participants with a cautious view on inflation and a Federal Reserve that is still expected to increase short term rates once or twice more later this year. Recently, we've seen a scattering of data points globally that suggest that the world economy is not growing as strongly as it was at the end of 2017.

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On Friday morning, Statistics Canada announced that the Canadian economy added a relatively strong 32,300 jobs in March driven by hiring in the construction industry and a solid recovery in full-time positions. Expectations centered around employment growth of 20,000 new jobs, while the Unemployment Rate held steady at 5.8% and the participant rate was unchanged at 65.5%.

Equally important in the release was average hourly wages which advanced by 3.1% year-over-year, matching the February annual growth rate. Economists figured that the sanguine report was neutral enough to keep the Bank of Canada on hold for their next monetary policy meeting on April 18th. Money market traders have taken the probability of a rate increase from 40% two weeks ago to 20% currently.

Governor Poloz will be weighing the growing optimism that a preliminary NAFTA deal is within reach (senior trade negotiators were meeting in Washington today) against escalating tariff rhetoric between China and the US and a widening Canadian February merchandise trade deficit (grew to a deficit of \$2.7 billion from \$1.9 billion). All together, these events play well into our forecast that a patient Bank of Canada will remain on hold over the coming months.

For those following our Lead Strategist Tony Dwyer, [click here](#) to access his latest industry update supporting our view that economic fundamentals remain positive and that current dips should continue to be bought.

Have a great weekend!

Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,207
Dow Jones Indus. Avg.	23,932
S&P 500	2,604

Canadian/US Dollar	\$0.7822
US/Canadian Dollar	\$1.2780
Euro / Canadian	\$1.5694

Gold	\$1336.50
Silver	\$16.35
Copper	\$3.04

Brent Crude Oil	\$67.02
WTI Crude Oil	\$61.97
Natural Gas	\$2.69



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