Issue 21 Friday, June 8th, 2018

Investors experienced another positive week in North American equity markets with the NASDAQ composite reaching its all-time high mid-week followed closely by the DOW eclipsing the 25,000 level. US small-cap indexes such as the Russell 2000 set record highs as institutional money rotated away from a number of trade-sensitive large cap companies.

The S&P/TSX Composite briefly went into positive territory for the year, surpassing the 2017 year-end 16,209 level, to close the week a tad lower. To reach new highs, we would need to see further strength in the Canadian energy, lumber, copper and fertilizer stocks, all of which are building a solid base.

The one major domestic economic release for the week came Friday morning as the Canadian economy lost jobs for the second month in a row. The May decline of 7,500 came after a 1,100 drop in April, with the Unemployment Rate holding steady at 5.8%. The underlying strength in the labour market, however, was evident as overall wages rose 3.9% year over year, the fastest gain since April 2009, and all but cements a July rate hike from the Bank of Canada.

We continue to find it somewhat hard to get through our weekly commentary without addressing some of the geopolitical concerns that continue to dominate the headlines in the press. At last week's G7 finance ministers meeting up at Whistler, it appeared to be six-against-one as America's allies ganged up on Treasury Secretary Mnuchin surrounding the US implementation of steel and aluminum tariffs that elicited immediate retaliation from Canada, Mexico and most of the European Union.

As we are writing this report, we are certain that President Trump will be getting a chilly reception in the more formal G7 world leaders meeting today and tomorrow in Quebec. It is fully expected that the rest of the group aside from the Americans will declare their unanimous concern and disappointment about trump's trade policy. It is not surprising that President Trump has already tried to shift the discussion away from trade issues to his suggestion that the G7 club should reconsider welcoming Russia back to a larger G8 group. Russia was asked to leave the club of rich countries after it took over the Ukraine.

President Trump may well leave the G7 summit early as he prepares for his re-scheduled June 12th face to face meeting with North Korea's Kim Jong Un. The US expectation going into the meeting is to have North Korea dismantle its nuclear-weapons program completely, verifiably and irreversibly. An extremely tall task, and again, we expect to have all eyes on the meeting in Singapore next week.

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As we close out the first half of 2018, we came across a CNBC interview where Warren Buffett postulated that "If we're in the sixth inning, we have our sluggers coming to bat…business is good, there's no question about it", a view which fully encompasses our thoughts on global economic growth for the second half of the year.

In his latest Quantitative Strategist report, our Martin Roberge is arguing that global growth in the second half of the year will be reaccelerating as we may have already seen the intermediate high in bond yields, oil prices and the US Dollar versus its weighted trading basket of currencies. The historically scripted 10% market correction from the peak is behind us, and if the roadmap that we've travelled in the past is of any guide, the near-term market choppiness should be followed by an impressive equity rally in H2/18.

In addition, we have provided a link to Tony Dwyer's June Strategy Picture Book where he is raising his 2018 S&P500 estimate from 3,100 to 3,200 (it's currently at 2,775, so a potential further return of over 15%). Key highlights include an improving economy, solid earnings per share growth and the on-going availability of credit. If you can set 20 minutes aside this weekend, we recommend having a look at his two-page summary.

Lastly, we closed the week with an updated Atlanta Fed report that is forecasting a 4.6% US GDP growth estimate for the second quarter that is close to completion. If their tracking estimate is correct, the current three-month period is on track to double 2017's full-year pace and would easily outdistance the 3.1% gain experienced in the second quarter last year. An ideal backdrop for equity valuations to trend higher.

Have a great weekend!

Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	16,202
Dow Jones Indus. Avg.	25,314
S&P 500	2,778
Canadian/US Dollar	$0.7732
US/Canadian Dollar	$1.2929
Euro / Canadian	$1.5215
Gold	$1302.80
Silver	$16.80
Copper	$3.29
Brent Crude Oil	$76.40
WTI Crude Oil	$65.62
Natural Gas	$2.90

Crypto Quarterly – Q2 2018

Cannabis Monthly – June 2018

Tony Dwyer Strategy Picture Book – June 2018

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