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DEKKER HEWETT GROUP

Market Watch Weekly

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Just when we thought we could get back to fundamentals when considering the construction of our portfolios on both the debt and equity side, the headlines drew us back into political events from the Trump White House. President Trump carried out his intention to impose tariffs on steel (25%) and aluminum (10%), while exempting Canada and Mexico for the indefinite future pending a positive outcome to the ongoing NAFTA negotiations.

With the announcement of these tariff increases going into effect in the next 30 days and the growing concerns of an impending global trade war, we saw the immediate resignation of Donald Trump's chief economic advisor, Gary Cohn. Additionally, as the week drew to a close, Trump said that he has agreed to meet North Korea's leader, Kim Jong Un, sometime within the next two months in a bid to defuse tensions between the two countries. If the meeting does in fact occur (many have their doubts), these talks could lead to a freeze in North Korea's weapons program.

The true market-moving event, however, which took equity indices to the highs of the week, was Friday morning's release of the American jobs report. This is the last major economic snapshot before the Federal Reserve meets later in the month when they are widely expected to raise short term interest rates by 25 basis points. Against expectations of non-farm payrolls increasing by 205,000 and the unemployment rate being lowered to 4%, the February report came in at a blistering high of 313,000 added new jobs. Economists immediately viewed the report as the "best of the recovery" on the anniversary of the nine-year bull market in US equities.

The unemployment rate held steady at 4.1%, however, as more people were pulled back in to the labour market looking for full time employment. From a "goldilocks" point of view, average hourly wage growth rose only 0.1%, half of expectations, and may marginally influence the speed at which the Federal Reserve increases rates through the year. After the release, the US Treasury two-year note climbed back to a nine-year high. The strong reading from the report may well add to worries from market participants that inflation could accelerate. These concerns may be compounded by the imposition of yesterday's tariffs on steel and aluminum, with the prospect of a global trade war.

Domestically, mid-week, the Bank of Canada left its benchmark short term interest rate unchanged at 1.25%, having raised it by 25 basis points in January. Governor Stephen Poloz noted that global growth remains solid and broad-based, but raised concerns that trade policy developments out of the US were a growing source of uncertainty. Clearly the Trump administration's policies on both taxes and trade will have a direct impact on the Canadian economy. The US corporate tax rate is now below Canada's, and the final outcome of the NAFTA agreement still remains anyone's guess.

Erik Dekker, BBA, CIM

VP, Sr. Investment Advisor &
Portfolio Manager

Mark Hewett, P. Eng., CIM, FCSI

VP, Sr. Investment Advisor &
Portfolio Manager

Alan Berge, CFA, AIF

Investment Advisor &
Portfolio Manager

Alix Rogers

Investment Advisor Assistant

Massimo Beltramo

Business Development Associate

David MacLachan

Business Development Associate

Canaccord Genuity
Wealth Management
P.O. Box 10337
2200 - 609 Granville Street
Vancouver, BC V7Y 1H2

T: 604.699.0852
F: 604.601.5966
TF: 1.800.663.1899

E: dghinfo@canaccord.com

www.dekkerhewettgroup.com

The report highlighted the fact that domestic inflation is running close to the Bank's 2% target, but the expected firming wage growth is still below what might be expected in an economy with very little slack in the labour market. According to the recent government budget, the domestic economy grew at 3% last year and is expected to expand by 2.2% in 2018 with the assumption that both business investment and exports will pick up.

The Bank suggested that its Governing Council will remain cautious in considering future policy developments (i.e. they are on hold), being guided by upcoming data domestically and south of the border. The next Bank rate announcement will be made on April 18th, complete with a follow-up press conference, current economic projections and the next version of their Monetary Policy Report.

We also saw a move out of the European Central Bank this week as it signalled a shift towards tighter monetary policy, when it dropped its longstanding pledge to speed up its bond buying program if the eurozone economy were to deteriorate. The ECB's broader policy remained unchanged as it may still extend the current program beyond September if required. On a cautionary note, President Mario Draghi warned that the proposed American tariffs could well undermine the current transatlantic alliance.

Most Canadian income tax returns for 2017 are due on April 30th, 2018. If you or your spouse or common-law partner are self-employed, you have until June 15th, 2018. With the tax filing season upon us, we are pleased to provide you with a thorough checklist to help you get through tax season in an organized fashion. Please [click here](#) to access it.

Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,580
Dow Jones Indus. Avg.	25,266
S&P 500	2,779

Canadian/US Dollar	\$0.7792
US/Canadian Dollar	\$1.2831
Euro / Canadian	\$1.5793

Gold	\$1323.70
Silver	\$16.62
Copper	\$3.14

Brent Crude Oil	\$65.55
WTI Crude Oil	\$62.11
Natural Gas	\$2.73



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