

**DHG**

DEKKER HEWETT GROUP

Market Watch Weekly

Issue 17**Friday, May 11th, 2018**

With talk of inflation easing slightly and a growing recognition of slowing global and North American growth from the peak, we experienced a strong week in both the S&P 500 and the S&P/TSX. Domestically, we had the late-cycle trade at the forefront with energy and materials each advancing roughly 2.0%, easily outperforming the declines seen in utilities and telecoms. Moreover, the S&P/TSX real estate index is only 1% away from its all-time high.

In the latter half of the week, the Bank of England was in the market staying the course by leaving their short-term interest rates and projected asset purchase targets unchanged. For weeks prior to the meeting, they had signalled that a move higher in rates was imminent. In fact, investors were factoring in a 90% probability that the central bank would increase their base lending rate by 25 basis points in May. Immediately before the meeting, that expectation had declined to a mere 10% probability.

What had changed so quickly? First, official figures showed that the UK economy barely grew in the first three months of the year, clocking in at only 0.1%. Particularly bad weather in Europe and uncertainty over Brexit affected both businesses and consumers. Secondly, inflation had come down faster than expected, with the UK's latest CPI release down to 2.5%, whereas the Bank had expected it to reach as high as 3.0% back in February. UK money markets have now priced out any chance of a rate increase for the rest of 2018.

What we are seeing in the UK is being "replayed" across Europe as of late, with easing economic growth numbers and inflation starting to stall out close to the 2.0% level targeted by most central banks in industrialized countries. Moreover, in the US this week, while their CPI advanced by 2.5% year over year, their core inflation stalled at 2.1% and missed consensus. Also, headline and core producer prices decelerated to 2.6% and 2.3% respectively. This softening inflation data helped cap the ascension in bond yields and US Dollar mid-week.

A soft patch in the Canadian economy was also felt in Friday's new jobs report from Statistics Canada, with the domestic economy posting a slight loss of 1,100 jobs and an unemployment rate that held steady at 5.8%. The median estimate was for a job creation number centering around 20,000, so a noticeable divergence. The participation rate edged lower in April to 65.4%, down from 65.5% in March, as fewer people were looking for work. Average hourly wages were 3.3% higher than a year ago, with the net result having us believe that the Bank of Canada will leave rates unchanged at their upcoming meeting on May 30th.

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On the geopolitical front, the week again seemed to revolve around announcements out of the White House. Tuesday had President Trump pulling out of the Iran nuclear agreement if a new deal cannot be reached within six months. A failure to negotiate a better deal will have the US reinstating the highest level of sanctions on Iran and potentially countries doing business with them. Following the news, the energy sector caught fire and has carved out fresh new four-year highs for both Brent Crude and West Texas Intermediate.

Trump's administration is hoping that their hawkish approach to abandoning the nuclear agreement and re-imposing sanctions will project strength and demonstrate that the US "will not accept inadequate deals" ahead of the summit with North Korea. The summit is scheduled to take place June 12th in Singapore, where both Donald Trump and Kim Jong Un have set the bar high "to make it a very special moment for World Peace." Please make it so!

On a closing note, this Sunday we celebrate Mother's Day by showing our appreciation for mothers or mother figures. To all the mothers out there, whether you are a past, present or soon to be mom, may your day be filled with love, joy and laughter. Happy Mother's Day!



Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,983
Dow Jones Indus. Avg.	24,831
S&P 500	2,727

Canadian/US Dollar	\$0.7812
US/Canadian Dollar	\$1.2796
Euro / Canadian	\$1.5280

Gold	\$1318.90
Silver	\$16.69
Copper	\$3.10

Brent Crude Oil	\$76.99
WTI Crude Oil	\$70.52
Natural Gas	\$2.83

[Crypto Quarterly – Q1 2018](#)

[Cannabis Monthly – April 2018](#)

[Tony Dwyer Strategy Picture Book – April 2018](#)



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