

**DHG**

DEKKER HEWETT GROUP

Market Watch Weekly

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Another week, another record-setting high for the major North American equity indexes as we close out the year. This morning, the S&P/TSX Composite Index opened at an all-time high before settling back into some profit taking and year end window dressing from institutional clients. Equity markets in the US reached their peak on Thursday, before closing within a half percent of their highs. The S&P 500 has had its best year since 2013.

It was also an eventful week for commodities with Spot Gold breaking through the \$1,300 level to close the year at \$1,305.70. Through the month of December, we saw Copper rise for more than 15 consecutive days; the longest advance streak in history given data going back to 1971. Copper finished the month in a particularly strong technical position going into 2018. Crude oil is the most heavily traded commodity in the world, and West Texas Intermediate (WTI) spent most of the week above the \$60 mark for the first time since mid-2015, closing out the year at \$60.36. Energy stocks in Canada and abroad were at or closing in on all-time highs.

So where do we head from here going into 2018? Let's hope that financial markets will again be more heavily influenced by economics as opposed to politics? Global growth in 2017 grew at its fastest pace since 2010, and GDP growth forecasts for the year ahead have mostly been revised higher in North America, the Euro-zone, Japan and through most emerging markets. Corporate earnings growth for the coming year are solid and improving, and are expected to provide further support for global stocks.

Aside from the UK, there is little apparent sign of inflation picking up, remaining well below the 2% targets set by most central banks. It appears that for at least next year, the two potential stock market bogeymen, a recession and rapidly rising interest rates, will for the most part be kept at bay. It is hard to foresee the next downturn, and subdued inflation expectations may well keep government bond markets and their respective yields at historically low levels.

Not entirely out of the woods, however, as geopolitical tensions in North Korea and Saudi Arabia will continue to be on our radar. NAFTA negotiations are also not going terribly well, and it is far from clear how markets will react as central banks continue to withdraw their stimulus and "normalize" their monetary policy.

One of the greatest contrarian investors of our generation was Sir John Templeton who once famously argued that "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." Are we in an equity market that is termed "too good to last?" We think not.

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While the current bull market is one of the longest in history and valuations may be particularly high, we along with the Market Strategists at Canaccord Genuity are expecting further increases across equity indexes in North America, Europe, Japan and Emerging Market countries in 2018. Not yet fully in the euphoric camp, we believe that strong global economic growth, low inflation and continued accommodative monetary policies are likely to be key drivers in taking equity prices higher.

Oddly enough, a year-end survey from The Boston Consulting Group found that investors were particularly cautious if not somewhat bearish going into 2018. Nearly half of the survey respondents were pessimistic about equity markets next year, well up from 32% in 2016, and 68% felt that the market was overvalued by an average of 15%, up from only 29% of investors who felt that way in last year's survey. The market may well need to climb that wall of worry again in 2018.

We would like to close out the year by thanking everyone who continues to support our business as clients, friends and business partners. We wish you all a happy, healthy and prosperous New Year!



Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	16,209
Dow Jones Indus. Avg.	24,719
S&P 500	2,673
Canadian/US Dollar	\$0.7950
US/Canadian Dollar	\$1.2574
Euro / Canadian	\$1.5085
Gold	\$1305.40
Silver	\$17.00
Copper	\$3.13
Brent Crude Oil	\$66.62
WTI Crude Oil	\$60.12
Natural Gas	\$2.95



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