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DEKKER HEWETT GROUP

Market Watch Weekly

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It has been a while since we had a week with essentially sideways movement in North American equity markets. Volatility was subdued as a result of a noticeable lack of market moving economic releases and corporate financial results. Our investment thesis, however, remains firmly in tact with a decided emphasis on equities over fixed income in a well diversified portfolio.

Low inflation, moderate global growth and loose financial conditions are still the order of the day. While dialing back on the level of financial stimulation, we believe that central banks worldwide will reduce their level of accommodative monetary policy at a gradual pace that can be readily absorbed by capital markets without adversely affecting economic growth.

Domestically, Statistics Canada this morning released an inflation rate that as expected cooled off in October. The Canadian consumer price index was up 1.4% from a year ago, versus the 1.6% annual rate that we experienced in September. Seven of the eight categories were higher than 12 months ago with the Transportation and Shelter categories contributing the most to the increase.

While it may sound like a broken record, our inflation rate is still comfortably below the Bank of Canada's 2.0% target level with domestic monetary policy on hold. With little upward price or wage pressure and economic growth somewhat weaker domestically than in the first half of the year, the Bank has suggested that they will be cautious when looking at further rate increases as they pay close attention to future economic data.

The key news out of the US this week was on the political side as America's House of Representatives approved a number of tax cuts that will move Republicans one step closer to the largest overhaul of the US tax code since Ronald Reagan's watch. On a cautionary note, the debate now moves on to the Senate, where Republicans cannot afford to lose more than two votes. Also, the tax writers have made the bill's passage somewhat more difficult by tying it to a partial repeal of Obamacare. We never expected to have an easy go on tax reform, but it is clearly getting more difficult. In particular, the proposed corporate tax cuts may well be delayed until 2019.

Through the week, we saw continued evidence that global economic prospects are still firmly tracking higher with the synchronized expansion poised to continue. Most economists now expect to see the global economy's post-crisis economic recovery to stretch a few years beyond its current eight-year stance. Figures released mid-week confirmed that GDP in the Eurozone rose by 2.5% in the year to the third quarter. This is the fastest pace in more than six years. Furthermore, Eastern European countries have recorded growth that is even higher. Both regions are close to full employment with consumer spending on the rise.

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We also received figures out of Japan this week that showed their economy grew by an annualized 1.4% in the third quarter. This was the seventh consecutive quarter of expansion resulting in the longest growth streak in 16 years. Since Prime Minister Shinzo Abe first came to power five years ago, the Nikkei stock market index has increased by approximately 150%.

Also released this week was a World Trade Organization report that expects merchandise trade to expand by 3.6% this year, outpacing world GDP growth. Figures released out of Singapore back up this call as the value of their merchandise trade grew by 13% in October compared with a year earlier. Their exports also surged by over 20%.

All the comments above bode well for a continued and gradual rise in equity prices and allow us to feel comfortable with our ongoing preference of stocks over bonds in a well diversified portfolio.

We would like to close this week's commentary with a reminder for our upcoming annual real estate conference being held at the Four Seasons Hotel on the evening of November 27th. This year's event will feature individual company presentations exploring the themes, issues, and opportunities impacting real estate investments in both Canada and around the world. This event is by invitation only. Please [Click Here](#) for full event details, and [RSVP](#) at your earliest convenience should you wish to join us. We hope to see you there.

Sincerely,

Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,992
Dow Jones Indus. Avg.	23,369
S&P 500	2,579

Canadian/US Dollar	\$0.7835
US/Canadian Dollar	\$1.2760
Euro / Canadian	\$1.5045

Gold	\$1295.20
Silver	\$17.29
Copper	\$3.06

Brent Crude Oil	\$62.79
WTI Crude Oil	\$56.80
Natural Gas	\$3.21



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