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DEKKER HEWETT GROUP

# Market Watch Weekly

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Another volatile week in the equity markets has come and gone leading us to believe that the upcoming summer months (yes, the weather will be improving soon enough) will have excessive price movements as the norm and not the exception. The tug of war this week was between solid US corporate earnings (the tech sector was exceptionally strong with Facebook, Amazon and Microsoft easily beating expectations) and the march higher in longer term rates as US ten-year Treasuries traded either side of their 3% breakout level.

Further positives through the week resulted from both ECB and BOJ central banks leaving their respective monetary policies unchanged, while on the flip side, the market drag of rising oil prices and a firming US Dollar sparked renewed concerns about inflation picking up. How the scales will be tipped in the coming weeks will only feed into further market volatility.

On the economic front, American Q1 GDP numbers were released to us on Friday. After printing at a revised 2.9% in Q4, market participants were calling for a significant drop off to around 2% given that in recent years the US economy has typically slowed in the first quarter. Indeed, the latest news on retail sales and consumption, which accelerated growth in 2017, has been somewhat disappointing. Even at 2%, growth in the US economy would remain above the long-term rate of expansion Americans can expect as its population ages.

In fact, the main investor concern over the past few months has been for “too much growth, not too little.” With the economy and the labor market both running hot, the worry was that inflation and interest rates could soon accelerate. The yield on ten-year US Treasuries peaked on Wednesday as it closed above the psychological 3% level as it reached 3.026%.

The Commerce Department release showed the US economy slowing to 2.3% in Q1 on an annual growth rate, while consumer spending turned in its weakest performance in nearly five years. Consumer spending accounts for approximately 70% of economic activity, and it declined from a robust 4% level in Q4/17 to only 1.1% in Q1/18. While slightly beating expectations of 2% real growth, analysts viewed the slowdown as temporary amid a low unemployment rate and the eventual benefit to the consumer as the US\$1.5 trillion in tax cuts work their way through the economy.

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The week also had numerous events on the geopolitical front. President Trump completed a three-day meeting with French President Emmanuel Macron, and on Friday, he met with Germany's leader Angela Merkel. The visit by both European leaders to Washington DC centered on persuading the US President to consider two things:

- 1) Exempt the European Union from his new steel and aluminum tariffs (deadline of May 1<sup>st</sup>).
- 2) Maintain America's commitment to the nuclear deal with Iran it co-signed in 2015 (deadline May 12<sup>th</sup>).

Both outcomes have major economic impacts, yet unfortunately no firm announcement came out of the White House leaving little room for optimism.

On Monday, Toronto and all of Canada had to face unsettling news of a senseless act of violence with the loss of life and multiple injuries on Yonge Street. We offer our deepest condolences to the families and friends of those lost, and our sincere hope for the speedy recovery of those injured. The tragedy is near incomprehensible.

Also, our heartfelt thanks go out to the first responders, bystanders and community for doing everything possible to help those in need. Toronto has always been considered one of the safest cities in North America and that benefit only comes from all stakeholders doing their part.

"Never give in, never give in, never, never, never – in nothing, great or small, large or petty – never give in except to convictions of honor and good sense." - Sir Winston Churchill

Sincerely,  
Dekker Hewett Group

## TODAY'S STOCK WATCH

S&P/ TSX Composite	15,668
Dow Jones Indus. Avg.	24,311
S&P 500	2,669

Canadian/US Dollar	\$0.7797
US/Canadian Dollar	\$1.2821
Euro / Canadian	\$1.5546

Gold	\$1324.10
Silver	\$16.55
Copper	\$3.07

Brent Crude Oil	\$74.44
WTI Crude Oil	\$67.97
Natural Gas	\$2.76

[Crypto Quarterly – Q1 2018](#)

[Cannabis Monthly – April 2018](#)

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



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