

**DHG**

DEKKER HEWETT GROUP

Market Watch Weekly

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As we begin earnings season, yet again we are closing the week with equities in the US surging to record highs across the three major indexes. We are off to the strongest start to a year since 2003, and this morning, quarterly financials from two US financial giants, JP Morgan and BlackRock (the world's largest asset manager), have already set a robust tone for corporate profitability. The S&P500 has advanced over 1.5% for the week, with a growing list of companies breaking out to new highs on a technical basis.

Domestically, it has been somewhat of a different story, with the S&P/TSX essentially flat for the week. Fears that the US could end the NAFTA agreement weighed heavily on industrial and consumer discretionary stocks. In addition, higher bond yields hurt our group of defensive yielding equities such as telecommunications and utilities. For the broad index, however, it may well be "the pause that refreshes" as we remain positive on Canadian equities on the energy and materials side.

An excellent update on the economic front in Canada came from the Bank of Canada as it released the Winter 2017-18 edition of their Business Outlook Survey. As a brief summary, their outlook for sales remains upbeat at a time when economic capacity and labour pressures are becoming more apparent (remember last week's strong job creation report). Corporate employment and investment intentions across all provinces was deemed to be positive and growing.

Given the Survey results and continued economic strength, the Bank of Canada clearly has a green light to increase short term interest rates at their January 17th meeting next week. A 25 basis point increase will take their target short term rate to 1.25%, and represents the third hike in less than a year. Expectations on a rate increase have closed the week at an all-but-certain 86%.

A quick word on this week's activity in the energy sector is also warranted. West Texas Intermediate increased each day to trade well above the \$64 level, up more than 4% for the week and more than 10% over the past month. Weekly crude inventories declined again yesterday, representing the longest streak of winter inventory declines in nearly ten years. The recent North American cold snap has clearly influenced prices. In addition, the March contract for Brent crude spent most of the week firmly above the \$70 mark, and given the ongoing OPEC production cuts and the ever-present geopolitical strife, analysts are currently increasingly bantering the idea of an \$80 per barrel oil peak for 2018.

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Positive sentiment was also felt outside North America this week, particularly in Europe and Japan where continuing economic strength has allowed for both the Bank of Japan and the European Central Bank to announce that they are beginning to pull back on their bond purchasing programs. Furthermore, on the political front, progress was made on negotiations to form a new government in Germany, with talks advancing as the three party chiefs met to potentially form another “grand coalition”. Over the week, equity markets in Europe and Asia scaled new heights as the global growth/synchronization narrative continued to gain ground.

On a closing note, with the recent excitement surrounding the Blockchain and Cannabis industries, Canaccord Genuity will be hosting a Blockchain Investor Day and Cannabis Investor Day at the Fairmont Waterfront Hotel on the afternoons of January 23rd and 24th respectively. This a great opportunity to hear from industry leaders who will discuss the relevant issues, opportunities and risks associated with both sectors. Please [contact us](#) should you wish to attend.



Have a great weekend!

Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	16,308
Dow Jones Indus. Avg.	25,803
S&P 500	2,786

Canadian/US Dollar	\$0.8026
US/Canadian Dollar	\$1.2455
Euro / Canadian	\$1.5186

Gold	\$1334.90
Silver	\$17.14
Copper	\$3.21

Brent Crude Oil	\$69.81
WTI Crude Oil	\$64.23
Natural Gas	\$2.99



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