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Month end, quarter end and somehow, we have already made it halfway through the year. If 2017 was dominated by abnormally low market price volatility, our current year to date and this week in particular are perfect examples of the “new normal”. Volatility is back in spades.

One only has to look at the market action in crude oil prices. In the US, West Texas Intermediate traded as high as $74.46 (a full 8.5% higher than last week’s close). The settle above the $74.00 mark was the highest since November 2014. As mentioned last week, while OPEC and Russia have slightly increased their production, it is unlikely to meet the increased global demand. We also saw the US asking their allies to stop purchasing Iranian oil as sanctions take hold in the coming months. Lastly, a Canadian production outage disrupted spot pricing in the North American market.

The major Canadian economic release for the week came on Friday as Statistics Canada released Canada’s GDP figure for April. Against expectations for a flat month, our economy advanced by 0.1% from the previous month and is setting up a second quarter to come in just over 2%. The increase followed gains of 0.3% and 0.4% for March and February respectively.

We saw a sharp uptick in manufacturing (up 0.8% from the previous month) and in real estate agent and broker activity (up 0.5%) which was the biggest monthly advance since new, tighter mortgage qualifications came into play at the beginning of the year. After the release, the Canadian Dollar caught a bid from its mid-week slump to close the month at $131.55/$0.7590.

On Wednesday, Bank of Canada Governor Steven Poloz put the market on notice that the central bank will be proceeding cautiously going into their upcoming July 11th policy meeting. In a world of heightened uncertainty surrounding trade spats globally (especially the US steel and aluminum tariffs against Canada) and the retaliatory measures, Poloz said that these concerns will be discussed in depth before moving short term rates higher. The governor has shown an appreciation for an evolving policy framework that is more akin to risk management, noting that there is always a degree of uncertainty when solely relying on economic models. We view this as a refreshing approach to monetary policy in today’s world.

The most volatile day of the week came on Wednesday when the DJIA composite erased an intraday 285-point gain to close down 166 points on the session as technology and financial stocks rolled over. Initially, constructive news came out of the White House as Treasury Secretary Steven Mnuchin announced that trade restrictions against Chinese tech companies would be less onerous than expected. The positive vibe was quickly reversed as trade tariffs against the US were forming quickly out of Canada, the UK and Europe.

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We expect trade concerns to be with us for a while longer as the US administration maintains the heat with their trade rhetoric as we approach the US midterm elections in the fall. The good news, however, is that the economic fundamentals are still pretty good and corporate earnings are still on a positive trajectory.

As we close out the week, two market heavyweights in the US came out with news that propelled equity prices higher. First, Amazon announced that they were diving deeper into the healthcare pond. In addition to the joint venture that they have established earlier in the year with JP Morgan and Berkshire Hathaway, they are now spending approximately $1 billion to step into the pharmacies' turf by buying PillPack, a firm that organizes medication and delivers it directly to patients. Amazon already eats into pharmacies non-drug trade as customers shop online for everything from toothpaste to shampoo. Now they can challenge the likes of Walgreens Boots Alliance (recently brought into the DOW 30), CVS Health and Rite Aid on the prescription drug front.

We also had an exceptional release from Nike as the company handily beat their fourth quarter profit and revenue estimates. In addition, the company announced that they would increase their focus on direct-to-customer sales and their stock traded to an all-time high. Their timing is near perfect as the World Cup enters the second gear with 16 teams left to fight it out in the knock out stage. Who do you have to win it all?

Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	16,277
Dow Jones Indus. Avg.	24,273
S&P 500	2,727
Canadian/US Dollar	$0.7604
US/Canadian Dollar	$1.3149
Euro / Canadian	$1.5354
Gold	$1253.70
Silver	$16.14
Copper	$2.96
Brent Crude Oil	$79.42
WTI Crude Oil	$74.33
Natural Gas	$2.92

Crypto Quarterly – Q2 2018

Cannabis Monthly – June 2018

Tony Dwyer Strategy Picture Book – June 2018

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