



DHG

DEKKER HEWETT GROUP

Market Watch Weekly

Issue 10

Friday, March 16, 2018

With March Break in North America about to begin, we had a relatively quiet week in equity markets with our S&P/TSX Composite index finally playing catch-up with stocks south of the border, advancing by 200 points or 1.2%. Energy and Financials were the main contributors; WTI (May) + 1.8% to \$62.30.

The US had one eye on next week's Federal Reserve meeting where they are almost guaranteed to raise rates by 25 basis points. American indices, however, were flat to down slightly as political turbulence rumbled on and at times accelerated. It is not that the economic releases were unimportant or that corporate earnings reports were in the rear-view mirror, it's just that too many global events were dominating the headlines. Global tensions and potential trade wars took center stage.

Let's highlight a few:

1. Sanctions and diplomatic bickering between the Kremlin and the West increased as there were new revelations surrounding further Russian hacking incidents (into American and European energy and water systems). As well, America joined Britain, France and Germany to demand an explanation of the UK nerve-agent attacks.
2. After the dismissal of the Secretary of State Rex Tillerson via Twitter no less, President Trump continued to reshuffle his cabinet with the appointment of Larry Kudlow as his Chief Economic advisor and strongly implied that his National Security Advisor H.R. McMaster was on his way out.
3. Early Friday, Special Counsel Robert Mueller has subpoenaed the private Trump Organization for documents related to their business dealings with Russia. This request suggests that he may now be examining Donald Trump's campaign for foreign sources of funding.
4. Donald Trump is considering imposing tariffs totalling \$60 Billion on Chinese imports, targeting technology and telecommunications amid growing concerns surrounding intellectual property.
5. Democrat Conor Lamb won the Pennsylvania mid week special election in a district that Trump won by 20 points in 2016...another shot across the bow for Republicans as they prepare for this autumn's mid-term elections.

The key driver influencing capital markets next week will most assuredly be the March 20-21 Federal Open Market Committee (FOMC) meeting. The FOMC is currently expected to consider short term administered rate increases quarterly through 2018. The March meeting has a 25 basis point hike virtually guaranteed, the June meeting is a strong possibility, we may see a cautionary pause in September (as always data-dependent), leaving room for a last increase in December.

Erik Dekker, BBA, CIM

VP, Sr. Investment Advisor &
Portfolio Manager

Mark Hewett, P. Eng., CIM, FCSI

VP, Sr. Investment Advisor &
Portfolio Manager

Alan Berge, CFA, AIF

Investment Advisor &
Portfolio Manager

Alix Rogers

Investment Advisor Assistant

Massimo Beltramo

Business Development Associate

David MacLachan

Business Development Associate

Canaccord Genuity
Wealth Management
P.O. Box 10337
2200 - 609 Granville Street
Vancouver, BC V7Y 1H2

T: 604.699.0852
F: 604.601.5966
TF: 1.800.663.1899

E: dghinfo@canaccord.com

www.dekkerhewettgroup.com

New Fed Chairman, Jerome Powell, now knows how closely market analysts and investors follow each word of his prepared remarks and follow-up press conference Q&A, so he may be better prepared than he was at last month's Humphrey Hawkins testimony where his robust view of the economy sent equity prices lower. Market watchers will be hanging on sentence to see if it will be three or four hikes this year. The low for year on the S&P 500 came on February 8th, with a 2,581 close.

Many technicians, including our own Tony Dwyer, are calling for a retest of this low (the double dip), which usually occurs, if at all, within 40 trading sessions. That timing would place it to coincide with the Fed release next week so stay tuned! As a point of reference, the 2018 peak for the S&P500 was 2,873 seen on January 26th. For those following our lead strategist Tony Dwyer, [click here](#) to access his March Strategy Picture Book highlighting his core fundamental thesis which remains firmly in place despite the recent volatility. Tony still targets a move in the S&P 500 to 3,100 by year end.

We'll leave you with some forward-thinking US recession estimates from JP Morgan whose recent report suggests that there is an 18% chance of a recession in 2019. Over the next two years, they have calculated a 52% probability of a recession, and 72% probability when going out three years.

JP Morgan argues that the best asset allocation strategy is one where portfolios are preparing for a late-cycle environment. We entirely agree and feel that equity selection, sector rotation and fixed income duration/multi credit posturing will be more important than in the past few years going forward. The days of passive management have come to an end. Superior portfolio performance is now in the hands of active managers and that is what Dekker Hewett Group clients should expect.

Have a great weekend, and safe travels to those heading out with their family for spring break.

Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,749
Dow Jones Indus. Avg.	24,961
S&P 500	2,752

Canadian/US Dollar	\$0.7638
US/Canadian Dollar	\$1.3091
Euro / Canadian	\$1.6087

Gold	\$1313.40
Silver	\$16.30
Copper	\$3.10

Brent Crude Oil	\$66.18
WTI Crude Oil	\$62.39
Natural Gas	\$2.72

*As of 11:45AM on Friday, March 16th



CANACCORD Genuity
Wealth Management

This newsletter is solely the work of the author for the private information of clients. Although the author is a registered Investment Advisor at Canaccord Genuity Corp., this is not an official publication of Canaccord Genuity Corp. and the author is not a Canaccord Genuity Corp. analyst. The views (including any recommendations) expressed in this newsletter are those of the author alone, and are not necessarily those of Canaccord Genuity Corp.

Specific equity, fixed income, mutual fund and ETF mentions within this newsletter are for discussion purposes only and not a solicitation to trade. All investments carry a risk of loss of capital and should be discussed with a qualified investment advisor prior to any transaction. Investments mentioned in this commentary may or may not be personally held by the partners of Dekker Hewett Group at the time of writing.

The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdictions is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter.