Issue 6 Friday, February 10th, 2017

This week was fairly lackluster as we had a pretty clean calendar when it came to economic data points, with Canadian jobs data being the only real talking point.

Data released this week showed a Canadian labour market that has begun to create new jobs, with 48,000 workers hired in January coming on the heels of a nearly equally impressive 46,000 gain in December. With the unemployment rate now at 6.8%, the Canadian labour market is definitely showing momentum, posting the most robust jobs growth since 2010.

The fly in that ointment however, is that wage gains remain lackluster, pointing to the underlying slack that still exists within the Canadian economy as a whole. This wage data does pose a complication for the Bank of Canada as it tries to balance its Monetary Policy between providing conditions that help the economy close the current production gap, i.e. strengthen, without also letting a stronger loonie work against them.

Given that the Canadian Dollar reacted to the headline labour data this morning by strengthening to $1.308 per USD, our central bankers may end up having their hands forced on a rate cut. Because as we all know, one surefire way to weaken your currency is to lower rates. However, lowering rates in Canada amid a rising interest rate environment in the United States is not welcome news for fixed income investors.

So the tightrope our chief central banker, Stephen Poloz, is walking right now is to talk the Canadian Dollar lower without having to lower interest rates, and how the BOC Governor handles this delicate balance will have a significant impact on how we manage your fixed income throughout the year.

Erik Dekker, BBA, CIM
VP, Sr. Investment Advisor &
Portfolio Manager

Mark Hewett, P. Eng., CIM, FCSI
VP, Sr. Investment Advisor &
Portfolio Manager

Erik Benson, BA
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: 604.643.0285
F: 604.601.5966
TF: 1.800.663.1899

E: dghinfo@canaccord.com

www.dekkerhewettgroup.com

We continue to believe that we are at the bottom of the declining interest rate environment, especially in the United States. The challenge for investors is the volatility that should increasingly accompany the divergence between the Canadian and U.S. interest rate cycles. As the timing of that bottom is not exactly matching, fixed income investors (especially those passively holding government bond ETFs) can expect to have a bit of a bumpy ride.

Our expectation is that fixed income volatility will steadily increase as interest rates bottom and begin to move higher, and the best way to manage your risk during this higher volatility will be with active management. We will continue to seek to hire the best fixed income managers from around the world at the lowest cost available in order to keep your investment portfolio on the path you need it to be.

Thank you and enjoy the weekend with friends and family.

Sincerely,
Dekker Hewett Group

P.S. As you can see, we changed up our colour scheme and headline banner photo of Vancouver. Please let us know what you think of the changes as your positive or negative feedback is the only way we can improve.

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,712
Dow Jones Indus. Avg.	20,270
S&P 500	2,316
Canadian/US Dollar	$0.7642
US/Canadian Dollar	$1.3085
Euro / Canadian	$1.3920
Gold	$1234.70
Silver	$17.95
Copper	$2.77
Brent Crude Oil	$56.64
WTI Crude Oil	$53.79
Natural Gas	$3.04

*As of 12:40PM on Friday, February 10th