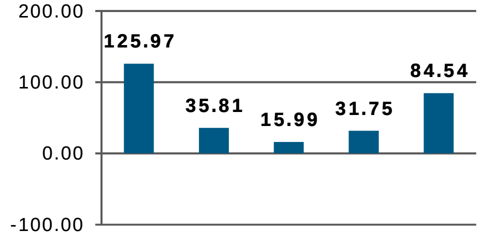
Credential Market Insights | WEEKLY

Canadian Markets

For the week ending April 5th, 2019

- **TSX climbs.** Canada's main equity index was up every day last week aided by a surge in energy stocks and upbeat employment news from the U.S. Despite weakness on the jobs front in Canada, the S&P/TSX had its best weekly performance since January and its highest in eight months as it inches closer to its all-time high. On the close, the TSX ended at 16,396, a 1.8% advance.
- **Loonie dips.** Our dollar fell during the week after domestic employment data sent the Loonie lower against the U.S. greenback, dashing the hopes of the Bank of Canada deviating from its dovish trajectory on interest rates. With constant concerns of a global slowdown and its effects on our Dollar, further declines were tempered by the rise in crude prices. At the close, the Loonie finished at 74.72 U.S. cents for a loss of 0.3%.
- **Gold edges lower.** Renewed strength in risky assets sent the yellow metal lower as the latest U.S. employment data showed more jobs than expected by consensus. However, continued geopolitical risk and growth concerns continued to keep demand for gold high as a safe-haven. At week's end, gold closed at US$1,291.76 an ounce for a June contract, a decrease of 0.1%.
- **Oil gushes.** Tightening global supplies drew the attention of investors as the commodity rose for the fifth straight week. This was the longest run for crude as OPEC maintained its decreased output strategy and sanctions on oil exports from Iran and Venezuela remain in effect. At the end of the week, a May contract on a barrel of WTI crude settled at US$63.08, a rise of 6.5%. The global benchmark Brent Crude rose above the US$70 per barrel threshold for the first time since November.
- **Unemployment rate holds.** For the first time in seven months, there were jobs lost in Canada in March, but the decline was small enough not to affect the unemployment rate at 5.8%. For the month, the economy dropped by 7,200 jobs, a far-cry from the almost 56,000 added in February, and below forecasts of a gain of 1,000. The losses were seen in both full-time and part-time positions with more from the former as the healthcare, building, and support sectors were the biggest decliners.
- **Manufacturing activity slows.** in March, a slowdown in export orders dropped activity in the manufacturing sector to its slowest pace since September 2016. IHS Markit's manufacturing PMI fell sharply during the month from 52.6 to 50.5, just above the 50-threshold separating contraction and expansion. In addition to lower global demand, the rising cost of domestic raw materials used in production hindered Canada's ability to compete with global manufacturers at a price level. With the slowness, hiring and inventory stockpiling by producers also felt the effects.

S&P/TSX Composite Daily Index Change



Indices	Week	YTD
S&P/TSX Composite		
16,396.15	294.06	2,073.29
	1.83%	14.48%
Dow Jones Industrial Average		
26,424.99	496.31	3,097.53
	1.91%	13.28%
S&P 500		
2,892.74	58.34	385.89
	2.06%	15.39%
NASDAQ		
7,938.69	209.37	1,303.42
	2.71%	19.64%
Hang Seng Index		
29,936.32	884.96	4,090.62
	3.05%	15.83%
FTSE 100		
7,446.87	167.68	718.74
	2.30%	10.68%

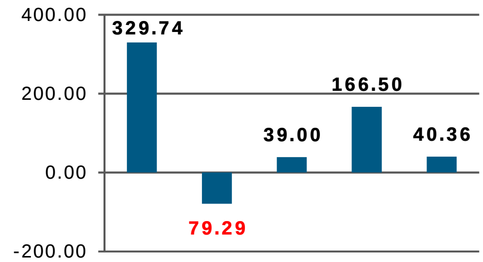
Source: Bloomberg

U.S. & International Markets

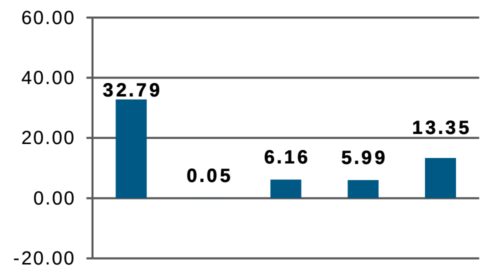
For the week ending April 5th, 2019

- **U.S. indices positive for the week.** U.S. markets finished with another solid week of gains. S&P 500 index was up for the seventh straight session closing the week up 2.1% at 2,893. The Dow Jones Industrial Average rose 1.9%, ending at 26,425 and similarly Nasdaq rallied 2.7% closing at 7,939.
- **U.S. employment data remains strong.** Jobless claims were down 10,000 to 202,000 and nonfarm payrolls came in at 196,000 compared to 33,000 last month, both beating expectations. Unemployment rate remained unchanged at 3.8% and average hourly earnings month over month changed by 0.1%.
- **U.S. ISM Manufacturing Index above expectations.** At 55.3 in March, versus the expected 54.2 reading, ISM Manufacturing was boosted by strong new orders and manufacturing employment. This is solid and healthy growth despite a slowing trend.
- **U.S. ISM Non-Manufacturing Index falls below expectations.** The 56.1 index level for March was below the 58.0 consensus and 59.7 in February. Like the manufacturing index, the data still show growth, but at a moderate pace.
- **Weak U.S. durable goods orders point to slower factories.** New orders dropped 1.6% in February after three straight months of increase. Orders less transportation and defense dropped to -0.1% from 0.9% in January hinting to slower business spending levels.
- **February month-over-month U.S. retail sales turn negative.** January data saw strong upward revisions from 0.2% to 0.7% while February data fell below expectations of 0.3% at -0.2%. Retail sales are used to determine consumer spending trends and is an important indicator of economic health.
- **Eurozone unemployment and retail sales stable.** The unemployment rate in February remained unchanged at 7.8% while month over month retail sales increased by 0.4%.
- **Eurozone PMI experiences modest growth.** The PMI composite in March was slightly above expectations at 51.6 versus 51.3, showing weaker expansion. PMI services were stronger at 53.3 from 52.8 in February. UK PMI services on the other hand dropped below 50 to 48.9 due to Brexit uncertainty.
- **Nikkei PMI Composite Index drops.** The PMI composite dropped from 50.7 in February to 50.4 in March. The services sector was at 52.0, slightly offsetting weakness in the manufacturing sector.
- **China's PMI composite highest since June 2018.** Both PMI composite and services jumped this month from 50.7 to 52.9 and 51.1 to 54.4 respectively. New state policies, improved access to financing and increased domestic demands contributed to stronger growth this month.

DJIA Daily Index Change



S&P 500 Daily Index Change



Key Take-Away

Time for a Pause. The economy took a break during the last month of the quarter after adding over 300K jobs in the previous six months. The slowdown of hirings was expected as 116K jobs were added in January and February, capping the best start to the year since 1981. In March, most of the losses were seen in the private sector, while public and self-employed individuals rose as the unemployment rate hovered at 5.8% for a third straight month, just above record lows of 5.6% seen in November and December. More importantly however, are the behind-the-scenes metrics showing the health of the labour market. For the 12-month period, 332K people found employment, with gains seen in both full-time and part-time positions, while for the same duration, hourly wages rose 2.3%, ahead of the annualized inflation rate in Canada. The economy has had some strong job creation in the past few months and has earned some time to cool off—but hopefully not for too long.