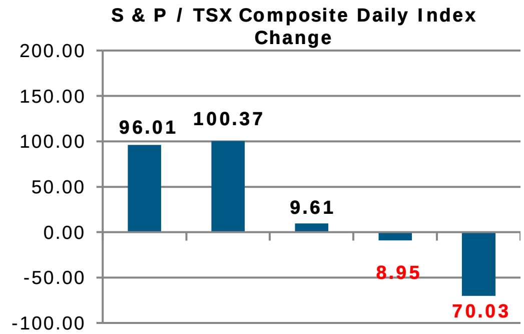
Credential

Market Insights | WEEKLY

Canadian Markets

For the week ending February 8, 2019

- **TSX rises.** Despite weakness in resources and commodities putting a damper on the S&P/TSX Composite, the Index managed to finish the week on the upside. After being oversold in 2018, the TSX has been on a winning streak with its fifth straight weekly gain, aided in part by surprising economic data at home. On the close, the TSX ended at 15,633, a 0.8% increase.
- **Dollar flops.** The Loonie rebounded from a two-week low yet still posted a loss during the week—even though economic data at home surpassed expectations. The latest StatCan report for January showed a very healthy labour market with more jobs added than anticipated. However, the constant worries of global trade continued to weigh on our currency. At the close, our Dollar fell 1.3% to finish at 75.31 U.S. cents.
- **Gold lower.** The recent surge in equities and rise of the U.S. dollar gave the yellow metal its fifth consecutive weekly loss, matching a losing streak last seen in June 2017. A pullback later during the week helped pare losses but risk-on attitudes by investors sent them fleeing the safe-haven asset in search of returns. The exodus may be short-lived as political risks are rising again in the U.S. and in Europe. At week's end, gold closed at US$1,316.61 an ounce for an April contract, a loss of 0.1%.
- **Oil sputters.** In its largest weekly decline since late 2018, crude gave back recent gains because of the global economy continuing to show signs of weakness, the strength of the U.S. dollar and increased output from Libya. This was despite ongoing efforts by OPEC to cut production and U.S. sanctions against Venezuela, both of which provided support for the commodity. At the end of the week, a March contract on a barrel of WTI crude settled at US$52.72, a tumble of 4.6%.
- **Unemployment higher.** Following the holiday season, the national jobless rate rose in January, but the increase was matched by more people finding work. For the month, the unemployment rate rose to 5.8% from 5.6% as employers were able to fill 66,800 positions, most of them part-time in nature (+36,000). All the jobs were in the services sector as manufacturing slumped. This was above consensus of a 5.7% rate and only 8,000 new hires, respectively. The participation rate rose slightly to 65.6%, up from December's 65.4%.
- **Housing starts lower.** The annual rate of home groundbreakings in Canada fell in January but exceeded analyst expectations, CMHC reported. During the month, 207,968 homes were started, above the 205,000 units estimated and above historical average. Detached, single family homes declined 10.4% as apartments and condos rose 0.7%. Perennial hot markets Vancouver and Toronto saw little change, but remained steady, as past interest rate hikes and possibilities of future ones dampen pre-sales of new homes.
- **Building permits climb.** An indicator of builder intentions, the value of building permit applications in December was the biggest gain in 19 months and helped end 2018 on a high note. The month's 6% increase for total permit value of $8.8B was driven higher by 11.1% rise in multi-unit dwellings that help offset a 5.4% decline in single-family homes. Non-residential demand, such as commercial and industrials, also helped the strong gains for the month.



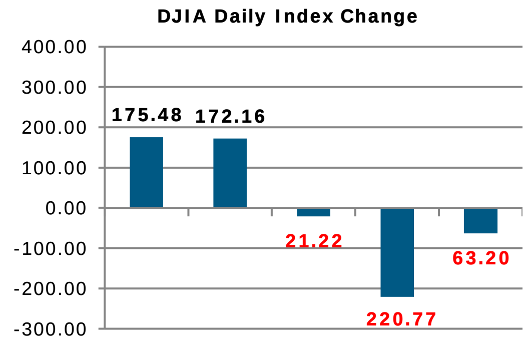
Indices	Week	YTD
S&P/TSX Composite		
15,633.33	127.02	1,310.47
	0.82%	9.15%
Dow Jones Industrial Average		
25,106.33	42.44	1,778.87
	0.17%	7.63%
S&P 500		
2,707.88	1.35	201.03
	0.05%	8.02%
NASDAQ		
7,298.20	34.33	662.918
	0.47%	9.99%
Hang Seng Index		
27,946.32	15.58	2,100.62
	0.06%	8.13%
FTSE 100		
7,071.18	50.96	343.05
	0.73%	5.10%

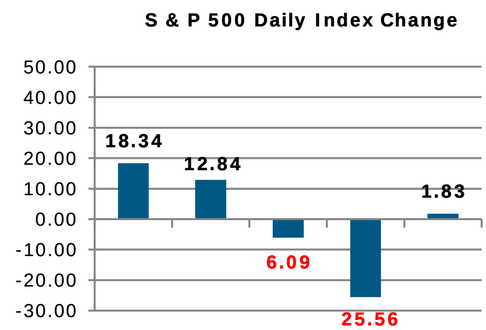
Source: Bloomberg

U.S. & International Markets

For the week ending February 8, 2019

- **Another positive week in the U.S. market.** Despite pulling back toward the end of the week due to uncertainty on the trade front, the U.S. stock market had another positive week. All three major indices were positive for the week. The broad-based S&P 500 index gained 0.1%, closing the week at 2,708. The Dow Jones Industrial Average moved up 0.2% for the week, ending at 25,106. The tech-heavy Nasdaq was the best performer of the week, edging up 0.5%, closing at 7,298.
- **ISM non-manufacturing index drops.** The U.S. services sector expanded at a slower pace in January, according to the Institute of Supply Management (ISM). The ISM non-manufacturing index fell from December's reading of 58.0 to 56.7 in January, missing economists' forecast of 57.0. On a separate report, the IHS/Markit services purchasing managers' index (PMI) came in at 54.2, down from December's reading of 54.4; economists were expecting a reading of 54.2.
- **U.S. trade deficit narrows.** The U.S. trade deficit dropped for the first time in six months in November. The Commerce Department reported that the trade deficit fell 11.5% to $49.3 billion in November after five straight months of increase. Economists were expecting a deficit of $54.0 billion. Imports of goods and services fell 2.9% to $259.2 billion, while exports were down 0.6% to $209.9 billion. The politically-sensitive trade deficit with China fell from October's $43.1 billion to $37.9 billion in November.
- **Euro-zone composite PMI declines.** Business activity within the 19-member economic bloc slowed to its weakest pace since mid-2013 in January. The IHS/Markit composite purchasing managers' index (PMI) dipped to 51.0 in January, down from December's reading of 51.1. Economists were expecting a weaker reading of 50.7. The manufacturing PMI dropped from 51.4 to 50.5 while the services PMI stayed flat at 51.2.
- **Japan composite PMI falls.** Business activity in Japan slowed in the first month of the year due to a weakening manufacturing sector. The Nikkei composite purchasing managers' index (PMI) fell from December's reading of 52.0 to 50.9. The manufacturing PMI dropped to 50.3 in January, down from the previous reading of 52.6. On the services side, the PMI rose from December's reading of 51.0 to 51.6.





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Key Take-Away

Behind the numbers. The economy provided a belated holiday gift as Statistics Canada reported continued strength, surprisingly, of the jobs market in January. Expectations of less than 10,000 jobs being added was easily surpassed as almost 67,000 jobs were added during the month—mainly in the services sector—as jobs in the manufacturing industries fluctuate on global trade worries. Most of the hirings were part-time, indicating to a certain degree employers' outlook of the future; full-time positions are preferred during more stable labour market conditions. Unfortunately, wage growth remains well below where it should be in a tight labour environment and markedly below the national inflation rate. This data does not get the headline news like the 5.8% of unemployment rate does, but it is a very important measure to the Bank of Canada in assessing rate hikes and the ability of workers to cope given household debt remains at very high levels.