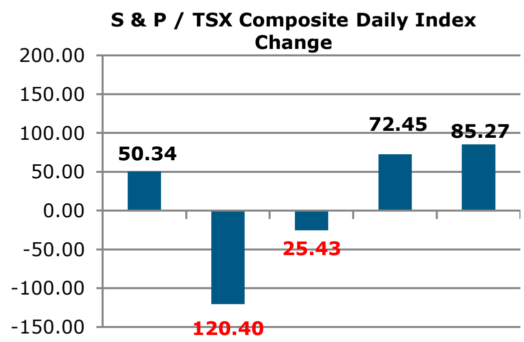
Credential

# Market Insights | WEEKLY

## Canadian Markets

For the week ending January 25, 2019

- **TSX higher again.** Canada's main equity index rose again—its fifth straight week—as investors continued to search north of the 49th parallel for bargain buys. The Composite received a large boosted in the Materials sector, especially in gold stocks, as markets remained weary of a slowing global economy and the lure of the safe-haven asset. On the close, the TSX ended at 15,366, a 0.4% increase and an 11-week high.
- **Dollar flies higher.** The Loonie strengthened against its American counterpart despite a trio of weak economic indicators at home. A temporary end to the U.S. government shutdown helped revive its stalled economic engine and demand for Canada's goods and services. However, it was crude oil that provided the lift for our Dollar as sanctions against Venezuela during its power struggle could affect global inventories. At the close, our Dollar rose 0.3% to finish at 75.65 U.S. cents.
- **Gold shines.** Topping US$1,300 for the first time since last summer, the yellow metal was in high demand as the U.S. government opened for business, albeit temporarily, and global growth concerns continue to linger. In addition, geopolitical turmoil in Europe with Brexit, the presidential crisis in Venezuela, and trade disputes added to geopolitical uncertainty and gold's allure. At week's end, gold closed at US$1,308.70 an ounce for a February contract, a gain of 2%.
- **Oil lower.** With the political uncertainty remaining in Venezuela—a major global producer of crude—and threat of U.S. sanctions against the country looming, crude prices were poised to increase. But a rise in global and U.S. stockpiles negatively impacted the commodity during the week, in addition to a rise in drilling activity in the U.S. Both will likely have an effect on OPEC's efforts to keep prices low. At the end of the week, a February contract on a barrel of WTI crude settled at US$53.69, a loss of 0.2%.
- **Manufacturing sales slide.** For a second straight month, factory sales fell in Canada on lower sales of petro and coal products. Total receipts were $57.3B in November, down 1.4% from the previous month, for 13 of the 21 industries followed by Statistics Canada. Omitting petroleum and coal industries, sales would have increased 0.2%, led by advances in transportation and food sectors. On a volume basis, sales declined 0.9% during the month.
- **Wholesale sales fall.** In its largest one month decline in just under three years, wholesale sales fell 1% in November providing evidence of slowing economic growth that the Bank of Canada forecasted at their last policy meeting. The weakness in this metric was wide-spread, with five of the seven subsectors tracked falling, led by machinery & equipment and followed by building materials & supplies. Economists had forecasted a 0.3% decline for the month.
- **Retail sales falter.** Consumers were in a less of a spending mood in November, with retail sales leading up to the holiday shopping season falling 0.9% from a revised lower October gain. This was the largest drop since April, as gasoline sales fell for the third time in four months and total sales added up to $50.4B. Analysts had predicted a decline of 0.6% as six of the 11 subsectors monitored by StatCan fell.



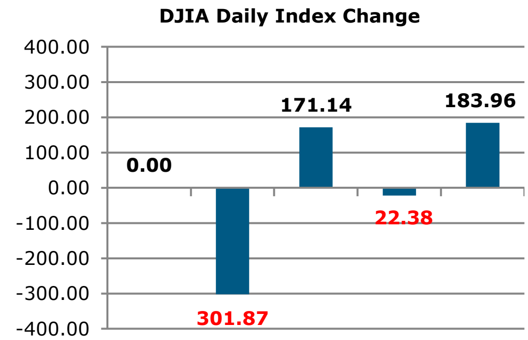

| Indices | | |
|---|---|---|
| | **Week** | **YTD** |
| **S&P/TSX Composite** | | |
| 15,366.05 | 62.22 | 1,043.19 |
| | 0.41% | 7.3% |
| **Dow Jones Industrial Average** | | |
| 24,737.20 | 30.85 | 1409.74 |
| | 0.12% | 6.0% |
| **S&P 500** | | |
| 2,664.76 | -5.95 | 157.91 |
| | -0.22% | 6.3% |
| **NASDAQ** | | |
| 7,164.86 | 7.63 | 529.58 |
| | 0.11% | 8.0% |
| **Hang Seng Index** | | |
| 27,569.19 | 478.38 | 1723.49 |
| | 1.77% | 6.7% |
| **FTSE 100** | | |
| 6,809.22 | -159.11 | 81.09 |
| | -2.28% | 1.2% |

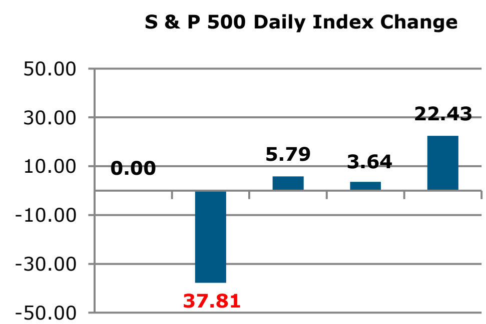
Source: Bloomberg

# U.S. & International Markets

For the week ending January 25, 2019

- **U.S. market flat.** U.S. market tumbled at the beginning of the week but recovered strongly toward the end, fueled by solid corporate earnings, optimism around U.S.-China trade deal, and a temporary solution to the U.S. government shutdown. The broad-based S&P 500 index fell 0.2%, ending the week at 2,665. The Dow Jones Industrial Average rose 0.1%, closing the week at 24,737. The tech-heavy Nasdaq was also up 0.1% for the week, ending at 7,165.
- **U.S. 'flash' composite PMI rises.** Business activity in U.S. had a solid start in 2019. The IHS Markit 'flash' composite purchasing managers' index (PMI) came in at 54.5 for January, up slightly from December's final reading of 54.4. Economists were expecting a reading of 54.2. Manufacturing PMI rose from 53.8 to 54.9, exceeding expectation of 53.5. Services sector PMI eased slightly to 54.2, down from December's final reading of 54.4, on par with forecasts.
- **U.S. existing home sales drop.** U.S. existing home sales tumbled to the lowest level in three years in December. The National Association of Realtors reported that existing home sales fell 6.4% to a seasonally adjusted annual pace of 5 million units; economists were expecting a much smaller fall of 1%. It was the lowest level since November 2015. On a year-over-year basis, existing home sales tumbled 10.3%.
- **ECB keeps rate unchanged.** After ending its massive bond purchase program in December, the ECB decided to keep its interest rates on hold after its January meeting. ECB's deposit rate was kept at -0.4% while the main refinancing rate would stay at 0%. In the news conference, ECB President Mario Draghi expressed some concerns about the euro area economy. "The risks surrounding the euro area growth outlook have moved to the downside on account of the persistence of uncertainties," Draghi said.
- **Euro-zone 'flash' composite PMI falls.** Business activity within the 19-member bloc slowed in January. Preliminary reading of the IHS/Markit composite purchasing managers' index (PMI) fell to 50.7 in January, down from December's reading of 51.1; economists were expecting a reading of 51.3. The manufacturing and services PMI both missed, falling from 51.4 to 50.5 and 51.2 to 50.8, respectively.
- **BOJ keeps interest rates steady.** The Bank of Japan announced that it would keep its interest rates on hold after its January meeting. Short-term benchmark rate target would be maintained at -0.1% while the 10-year rate, controlled through buying of Japanese government bonds, would be kept around 0%. The central bank also lowered its forecast of consumer inflation from a range of 1.5%-1.7% to 1%-1.3%.
- **Japan 'flash' manufacturing PMI drops.** The manufacturing sector in Japan cooled down in January and was getting closer to contraction territory. Preliminary reading of the Markit/Nikkei manufacturing purchasing managers' index (PMI) fell to 50.0 in January, down from last December's reading of 52.6. The gauge barely stayed above the 50-mark which separates expansion from contraction.






## Key Take-Away

**Slow but steady.** As expected by the central bank and by economists, Canada's economy hit a soft patch with weak data in the month leading up to the busy holiday season. The slump is expected to continue for the short term, for a quarter or two, as oil prices remain depressed and worries persist on global economic health. This was foreseen by the Bank of Canada prompting them to hold off on further interest rate hikes and gave them time for the past hikes to dissipate through the economy. This is appearing to be a common theme with central banks recently as they ease up on monetary policy tightening and remain accommodative. In Canada, although growth has slowed, it remains positive with hopefully enough momentum to make it through the many crises facing the world.