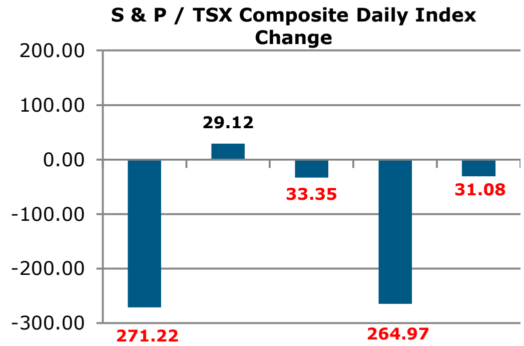
Credential Market Insights | WEEKLY

Canadian Markets

For the week ending February 9, 2018

- **TSX plummets.** Canada's main index could not avoid the sell-off that gripped global equity markets on expectations of higher U.S. interest rates to cool down its growth. Lower commodity and resource valuations as well as a rise in unemployment added to the punishment of the Composite as it fell to a five-month low. For the week, the TSX ended at 15,035, a 3.7% tumble for the week.
- **Dollar flies lower.** The Loonie touched a six-week low against the U.S. dollar as investors sought safety amidst the market downturn. Trade protectionism continued to weigh down on our currency in addition to weak jobs data and the impact of new rules on the housing market. On the close, our Dollar fell 1.2% finishing at 79.48 U.S. cents.
- **Gold dulls.** The yellow metal was on course for a second weekly loss despite its traditional attraction as a safe haven asset during market volatility. The decline was attributed to the rise in the U.S. dollar, for which gold is priced in, that sapped investor demand. At week's end, gold closed at US$1,318.10 an ounce for an April contract, a decrease of 1.4%.
- **Oil slips.** The commodity skidded to a six-week low as reports of the sharp rise in U.S. oil production may revive the global glut and negate the efforts undertaken by OPEC and other nations to reduce it. As well, an increase in crude inventories and normalizing demand as winter comes to an end added to the commodity's woes. At the end of the week, a March contract on a barrel of WTI crude settled at US$59.05, a loss of 9.8%
- **Unemployment rises.** Canada's jobless rate began the year higher as the decline in part-time (PT) employment was more than full-time (FT) hirings could compensate. In January, the national unemployment rate climbed to 5.9%, a notch higher than the previous month's revised 5.8% reading, as 88,000 jobs where shed. During the month, the economy lost 137,000 PT jobs, built up to assist during the holiday season, while adding 49,000 FT positions. The participation rate slipped lower to 65.5%.
- **Manufacturing sector busier.** The country's factories remained busy as manufacturing activity picked up in January to a nine month high. New orders, from both at home and abroad, rose, which also bumped up new export demand as the Markit Manufacturing PMI survey rose to 55.9 from 54.7 on a seasonally adjusted basis. The economy continues to be driven forward by this sector as respondents to the survey see business conditions and spending on the rise.
- Canada Housing News:
  - **Housing starts lower.** Ground-breakings were reported to be less than forecasted in January as home starts increased in urban areas for detached homes. For the month, on an adjusted basis, 216,210 units were started compared to December's 216,275 units. Multi-unit dwellings were relatively unchanged with strong demand in Toronto and Vancouver, while rural home construction was stable at 17,810 units.
  - **Permits up.** Applications to build rose in December more than estimate lead by single family homes in Ontario. As reported by Statistics Canada, building permits rose 4.8%, more than the 2% forecasted, with residentials, which include condominiums, climbing 8% nationally and industrial & commercial structures falling 0.6%.
  - **New home prices steady.** The price of a new home in Canada was little changed in December, the first time in over 2½ years, as rising interest rates, government legislation, and tougher rules for purchasers exercised its toll. Hot spots Toronto and Vancouver were flat and gained 0.2%, respectively over the month, as national home prices grew 3.3% in the last 12 months.



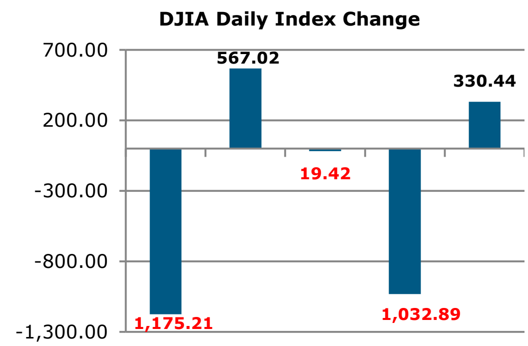
Indices	Week	YTD
S&P/TSX Composite		
15,034.53	-571.50	-1,174.60
	-3.66%	-7.2%
Dow Jones Industrial Average		
24,190.90	-1330.06	-528.32
	-5.21%	-2.1%
S&P 500		
2,619.55	-142.58	-54.06
	-5.16%	-2.0%
NASDAQ		
6,874.49	-366.46	-28.9
	-5.06%	-0.4%
Hang Seng Index		
29,507.42	-3094.36	-411.73
	-9.49%	-1.4%
FTSE 100		
7,092.43	-351.00	-595.34
	-4.72%	-7.7%

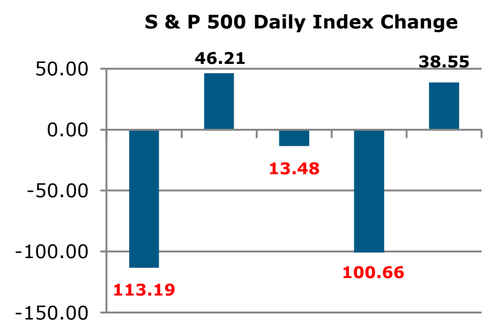
Source: Bloomberg

U.S. & International Markets

For the week ending February 9, 2018

- **U.S. stock market plummets.** The U.S. stock market had its worst week in two years. Rate-hike fears pushed the three major indices into negative territory for the year. The broad-based S&P 500 index dived 5.2% for the week, ending the week at 2,620. The Dow Jones Industrial Average dropped more than 1,000 points on Monday and Thursday, ending the week down 5.2%, closing at 24,191. The tech-heavy Nasdaq lost 5.1%, ending the week at 6,875.
- **U.S. services sector continues to expand.** The IHS Markit service PMI eased to 53.3 in January from December's reading of 53.7 but remained above the 50-mark separating contraction from expansion; economists were expecting a January reading of 53.3. On the other hand, the Institute for Supply Management (ISM) reported that its non-manufacturing index jumped from December's reading of 56.0 to 59.9 in January, the highest reading since August 2005.
- **U.S. manufacturing activity expands.** Manufacturing activity in U.S. continued to expand in January. The IHS Markit manufacturing purchasing managers' index (PMI) for January was reported to be 55.5, up from December's reading of 55.1; economists were expecting a reading of 55.5. On the other hand, the Institute for Supply Management (ISM) reported that its manufacturing index slipped slightly from December's 59.3 to 59.1 in January; economists were expecting a reading of 58.6.
- **U.S. consumer sentiment falls.** Consumer sentiment fell in January but was stronger than expected. The University of Michigan's consumer sentiment index was reported to drop slightly from December's reading of 95.9 to 95.7 in January; economists were expecting a much weaker reading of 95.0.
- **Euro-zone composite PMI rises.** Euro-zone business activity expanded at its fastest pace in more than a decade in January, according to the IHS Markit final composite purchasing managers' index (PMI). The barometer of overall business activity within the single-currency bloc rose from December's reading of 58.1 to 58.8, exceeding economists' estimate of 58.6. It was the highest reading since June 2006. Manufacturing PMI dropped slightly from December's record-high reading of 60.6 to 59.6 while services PMI increased from 56.6 to 58.0.
- **China's inflation eases.** Both consumer prices and producer prices in China cooled down in January. The National Bureau of Statistics reported that the consumer price index (CPI) climbed 1.5% year-over-year in January, in line with economists' estimate, but slowing from December's annual pace of 1.8%. The producer price index (PPI) also moderated, falling from December's pace of 4.9% to 4.3%; economists were expecting PPI to ease to 4.4% in January.





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Key Take-Away

What goes up…must come down. This quote was spoken by Sir Isaac Newton as he explained his laws of motion and physics. Unfortunately, in the first full week of February for investors, the gravity of the situation was a hard stumble as global markets fell. One of the main reasons was due to worries of rising interest rate action by the Federal Reserve and by other central banks around the world, which could impact corporate earnings and eventually growth. Other explanations include rising wages that would create inflationary pressure, profit taking as investors sense the Bull rally may be overstretched, and the speed of algorithm trading by computers. In all, it brings to light that the modern investor has become too complacent in their behaviour and unprepared for the recent events despite many forewarnings in the past. It's unknown when the next decline will occur but investors will weather through this storm and must recognize that market pullbacks are part of a healthy market, just like an apple will always fall back down to the ground.