

November 2017

James Gauthier, CFA
(416) 601-2422 | james.gauthier@iagto.ca

Denise Davids, MBA
(647) 258-3791 | denise.davids@iagto.ca

Monthly Overview

October proved to be a strong month for stock prices as the post-financial crisis bull market continued to roll. Canadian stocks, as measured by the S&P/TSX Composite, posted a 2.7% improvement during the period, while the return for the S&P/TSX Small Cap benchmark jumped 1.7%. Financial services stocks were particularly strong in October, although positive momentum was experienced in all Canadian sectors, with the exception of energy and health care. The large cap index breached the 16,000 level for the first time as October and ended the month at an all-time high.

Strength for stocks south of the border was reinforced by a slightly weaker loonie in October as the S&P 500 in Canadian dollar terms saw 5.7% of upside on the month. The index was propelled by strength in the tech sector, where shares rose by a collective 11.3%. Apple, Microsoft, Amazon and Facebook are the S&P 500's four biggest constituents and all had a solid October. Combining Alphabet's class A and class C shares would make it the third largest stock in the index.

The telecom services sector was the lone negative performer in October as stocks there sank 4.6% in C\$ terms. This sector is the S&P 500's smallest in terms of representation as well as number of constituents. It accounts for just 2% of the broader index and it is made up of just four names - AT&T, Verizon, Frontier Communications and Centurylink.

International stocks posted gains across the board in October, with MSCI's EAFE and Emerging Markets benchmarks surging 4.9% and 6.9%, respectively, in Canadian dollar terms.

Bond yields drifted lower during the month, allowing for gains for fixed income investors. The FTSE TMX Canada Universe Bond index picked up 1.6%. Note, however, that the index posted a loss for the year ended October 31. The

0.5% decline was a result of higher interest rates on a year-over-year basis.

The value of the loonie shed a couple of cents as CAD/USD closed the month at \$0.78.

Turning to commodity prices, WTI crude oil ended October at US\$54.38, a 5.2% month-over-month increase and a jump of 16% from October 2016. Gold was off slightly during October, ending the month at US\$1,271.

Late in the month, the Bank of Canada announced that it was keeping its policy interest rate steady at 1%, as expected. Recall that the Bank had increased rates by 25 basis points in each of its two previous policy announcements.

The Canadian jobs report for October was well above expectations and the economy created 35K (15K expected) new positions. Full-time employment rose a massive 89K, following a 112K gain in September. This is the largest 2-month tally on record. The unemployment rate rose one tick to 6.3% as the labour participation rate also edged higher.

U.S. employers hired at a strong pace in October, and revisions showed the labor market weathered hurricane damage better than previously estimated. Nonfarm payrolls rose by 261,000, a pickup from September but a bit lower than expected. The unemployment rate fell to 4.1%.

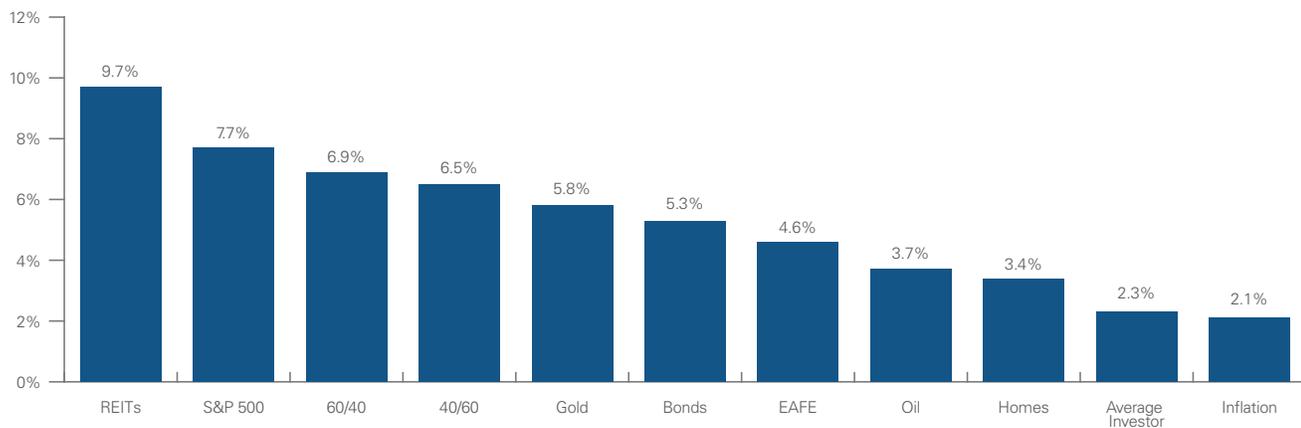
The Canadian economy remains on track to grow at about 3.0% in 2017. Consumption spending has been the major driver of growth this year benefiting from the confluence of favourable developments including the best labour market in years, the Canada Child Benefit program, low interest rates, and wealth effects associated with surging home prices.

Monthly Market Statistics

Data to October 31, 2017, unless otherwise indicated

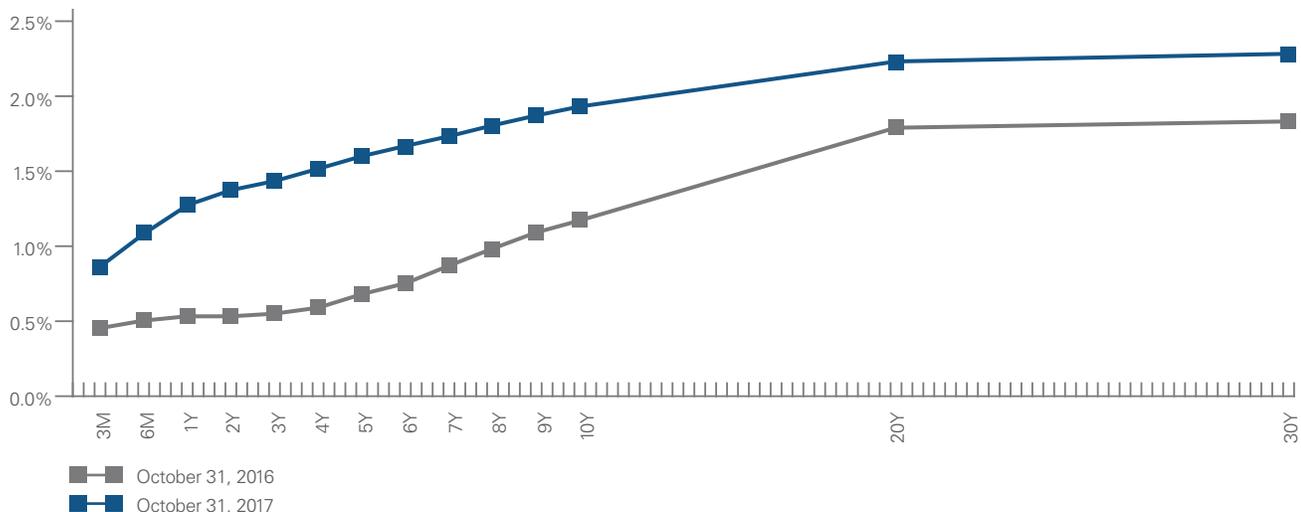
You may be familiar with the old investment adage, "it's time in the market, not timing the market." The implication there is that the average investor makes portfolio decisions that are driven by fear and greed, resulting in performance that is worse than a simple buy-and-hold approach. For example, many investors had the urge to back up the truck and buy internet stocks during the tech bubble of 1999/2000 and many others elected to exit the market as stocks were reaching their financial crisis lows in 2009. Financial industry consulting firm DALBAR Inc. does regular comparisons of investor returns versus market returns, and November's Chart of the Month highlights some of the firm's recent findings. The chart illustrates the returns of various financial assets (plus inflation) and compares them to the average investor's return over a 20 year period revealing that the decisions of the average investor can lead to detrimental results. In fact, left to his or her own devices, the average investor's return only marginally outperformed inflation. Clearly, applying discipline to the decision making process will help many investors in the long term as market conditions ebb and flow.

20-year annualized returns by asset class (1997 - 2016)



Source: DALBAR Inc.

Canadian Sovereign Yield Curve



Source: Bloomberg

Monthly Market Statistics

Data to October 31, 2017, unless otherwise indicated

Equity Index Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
S&P/TSX Composite	2.7	6.6	4.3	7.3	11.5	6.2	8.4	7.4
S&P/TSX Small Cap	1.7	4.0	0.3	-0.3	5.6	6.0	4.3	13.8
S&P 500	5.7	8.2	3.1	12.1	18.9	15.8	21.2	10.0
MSCI EAFE	4.9	7.5	4.8	17.3	19.4	11.5	14.8	12.2
MSCI World	5.3	7.9	3.7	13.9	18.8	13.7	18.1	10.4
MSCI World Small Cap	4.8	8.9	4.3	14.0	22.1	16.2	19.9	11.0
MSCI Europe	4.0	7.1	4.9	18.8	22.8	10.9	14.4	13.1
MSCI EM	6.9	8.9	9.9	27.1	22.1	10.9	10.7	15.8
MSCI AC Asia	7.7	9.1	8.3	22.1	19.5	13.9	15.5	12.9

Source: Bloomberg

Fixed Income Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
FTSE TMX Canada Universe Bond	1.6	1.7	-0.6	2.1	-0.5	3.2	3.0	4.9
Barclays Global Agg	2.9	3.0	-2.8	1.5	-2.7	5.8	5.7	4.9
Barclays High Yield Very Liquid Index	3.6	4.3	-2.7	2.3	4.1	9.1	10.7	6.1

Source: Bloomberg

Commodity Prices (Prices and Returns in USD)

Cross	09/29/2017 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil	54.38	5.2	16.0
Natural Gas	2.90	-3.7	-4.3
Copper	310.1	4.9	40.6
Silver	16.69	0.1	-6.2
Gold	1271	-0.9	-0.2

Source: Bloomberg

Economic Data

Canada	
Real GDP - Q2 (q/q ann. % change)	4.5
Consumer Prices (y/y % change)	1.6
Unemployment Rate, Oct '17 (%)	6.3
United States	
Real GDP - Q3 (q/q ann. % change)	3.0
Consumer Prices (y/y % change)	2.2
Unemployment Rate, Oct '17 (%)	4.1

Source: Bloomberg, Stats Canada

One Month Sector Returns (% in CAD)

Sector	S&P/TSX Composite 1M returns	S&P 500 1M returns
Consumer Discretionary	3.3	5.5
Consumer Staples	2.3	1.9
Energy	-0.3	2.6
Financials	4.6	6.3
Health Care	-0.2	2.5
Industrials	3.4	3.5
Info Tech	2.8	11.3
Materials	1.6	7.3
Real Estate	3.5	4.1
Telecom Services	3.0	-4.6
Utilities	3.3	7.3

Source: Bloomberg

Exchange Rates

Cross	09/29/2017	6 Mos Ago	1Yr Ago
USD/CAD	1.29	1.37	1.34
EUR/CAD	1.50	1.49	1.47
GBP/CAD	1.71	1.77	1.64
CAD/JPY	88.17	81.67	78.17

Source: Bloomberg

General Disclosures

The information and opinions contained in this report were prepared by Industrial Alliance Securities Inc. ('iA Securities'). iA Securities is owned by Industrial Alliance Insurance & Financial Services Inc. ('iA Financial'). iA Financial is a TSX Exchange listed company and as such, iA Securities is related to iA Financial. The opinions, estimates and projections contained in this report are those of iA Securities as of the date of this report and are subject to change without notice. iA Securities endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iA Securities makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to iA Securities that is not reflected in this report.

Nothing contained in this report is or should be relied upon as a promise or representation as to the future. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and management's analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. There is no representation, warranty or other assurance that any projections contained in this report will be realized.

Opinions, estimates and projections contained in this report are our own as of the date hereof and are subject to change without notice. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your investment advisor.

Definitions

"The author" means any partner, director, officer, employee or agent of iA Securities who is held out to the public as a publisher of Investment Fund Research or whose responsibilities to iA Securities include the preparation of any written investment fund research report for distribution to clients or prospective clients of iA Securities.

Conflicts of Interest

The author and or associates who prepared this report are compensated based upon (among other factors) the overall profitability of iA Securities, which may include the profitability of investment banking and related services. In the normal course of its business, iA Securities may provide financial advisory services for issuers. iA Securities will include any further issuer-related disclosures as needed.

The Authors' Certification

The author whose name appears on the front page of this report hereby certifies that (i) the opinions expressed in the report accurately reflect the author's personal views about the marketplace and are the subject of this report and all strategies mentioned in this report that are covered by such the author and (ii) no part of the author's compensation was, is, or will be directly or indirectly, related to the specific views expressed in this report.

Dissemination of Reports

iA Securities uses its best efforts to disseminate its investment fund research reports to all clients who are entitled to receive the firm's investment fund research reports, contemporaneously on a timely and effective basis in electronic form, via fax or mail.

For Canadian Residents: This report has been approved by iA Securities, which accepts responsibility for this report and its dissemination in Canada. Canadian clients wishing to effect transactions should do so through a qualified salesperson of iA Securities in their particular jurisdiction where their iA is licensed.

For U.S. Residents: This report is not intended for distribution in the United States.

For E.U. Residents: This report is not intended for distribution in the European Union.

For U.K. Residents: This report is not intended for distribution in the United Kingdom.

Intellectual Property Notice

The materials contained herein are protected by copyright, trademark and other forms of proprietary rights and are owned or controlled by iA Securities or the party credited as the provider of the information.

Regulatory

iA Securities is a member of the Canadian Investor Protection Fund ('CIPF') and the Investment Industry Regulatory Organization of Canada ('IIROC').

Copyright

All rights reserved. All material presented in this document may not be reproduced in whole or in part, or further published or distributed or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of iA Securities.



INVESTED IN YOU.