

November 2017

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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%.

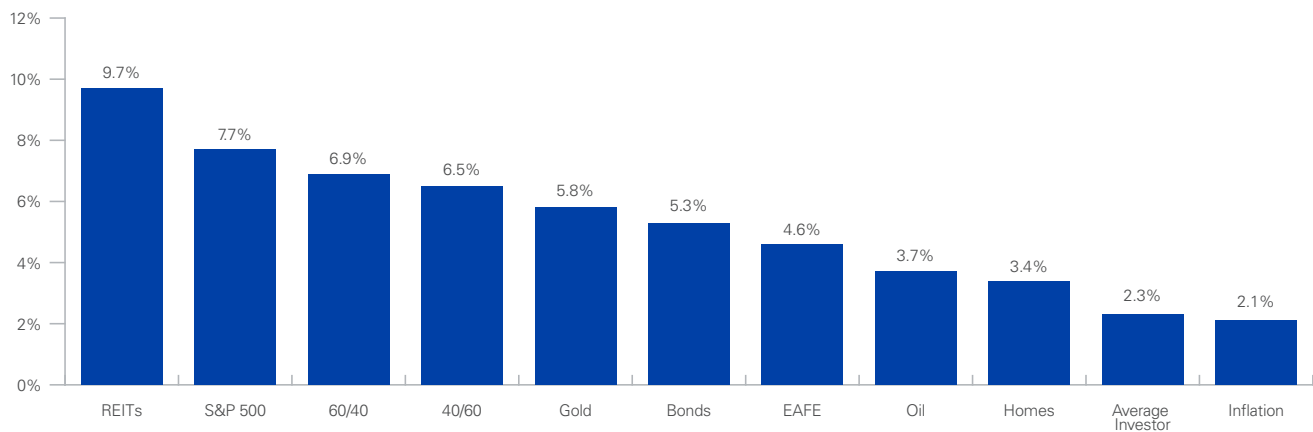
The Canadian economy remains on track to grow at about 3.0% in 2017. Consumption spending has been the major driver of growth this year benefiting from the confluence of favourable developments including the best labour market in years, the Canada Child Benefit program, low interest rates, and wealth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

Monthly Market Statistics

Data to October 31, 2017, unless otherwise indicated

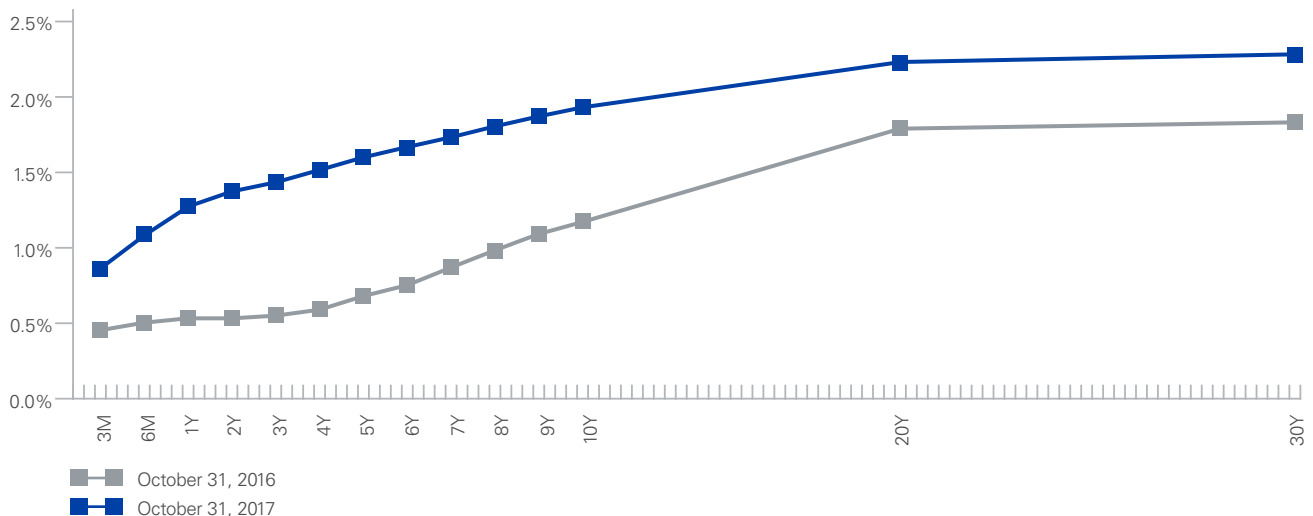
You may be familiar with the old investment adage, "it's time in the market, not timing the market." The implication there is that the average investor makes portfolio decisions that are driven by fear and greed, resulting in performance that is worse than a simple buy-and-hold approach. For example, 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

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