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Summer 2017 Market Update

July 2017

We hope you have had a good start to the summer and are looking forward to enjoying some warmer weather. We are writing with a brief market recap for the second quarter of 2017, which we hope will provide some context for how your investments have performed over the three-month period.

Most capital market indexes around the world registered impressive gains early in the second quarter before moderating in June, reflecting steady global economic growth and supportive business conditions. The S&P 500 Index, a broad measure of U.S. large-cap equity performance, added 3.1% for the quarter, bringing its gain to 9.3% for the year-to-date in U.S. dollar terms. The MSCI World Index, a benchmark that represents large and mid-cap equity performance across 23 developed market countries, was up 4.2% for the quarter and 11% for the year-to-date, also in U.S. dollars. For Canadian investors, however, gains in global equities were somewhat muted by our dollar's strength against a number of other major currencies, including the U.S. dollar. In Canadian dollar terms, the S&P 500 was up 0.5% for the quarter, and the MSCI World, 1.6%.

The Canadian equity market noticeably lagged many other developed market indexes, despite strong economic output and employment data. The S&P/TSX Composite Index fell by 1.6% during the quarter, based on softening oil prices, weaker financial shares and investor sentiment that was dampened by trade-related issues with the U.S. The benchmark remained 0.7% higher for the year-to-date. Overseas, strong quarterly results were recorded in local currency terms for larger Asian markets including Hong Kong and Japan, but were offset by weaker results in Europe.

Global fixed-income markets, meanwhile, prepared for the gradual end of ultra-low interest rates. As anticipated, the U.S. Federal Reserve Board raised its overnight lending rate by 25 basis points in mid-June, the second such increase in 2017. The Bank of Canada held rates steady through the second quarter but raised rates at its recent meeting in July, taking confidence from the strong labour market. In this environment, the U.S. 10-year Treasury bond yield drifted lower through much of the second quarter, but climbed higher late in the period and into July as prices declined. The FTSE TMX Universe Bond Index, which measures Canadian government and corporate bond returns, reflected gains of 1.1% for the quarter, with government bonds performing in line with corporate issues.

Capital market volatility has been noticeably absent in the early part of the 2017, despite the ongoing political issues around the world. However, the relative calm, which has been supported by ample availability of credit, may be tested in the coming months if interest rates move higher. Regardless of the short-term moves that the markets may take, it is important to keep in mind your investment strategy, which is based on your individual tolerance for risk and financial goals. If you have any questions about your portfolio or any changes you would like to discuss, please contact my office.

Should you have any questions regarding your portfolio, please contact either one of us

Sincerely,

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