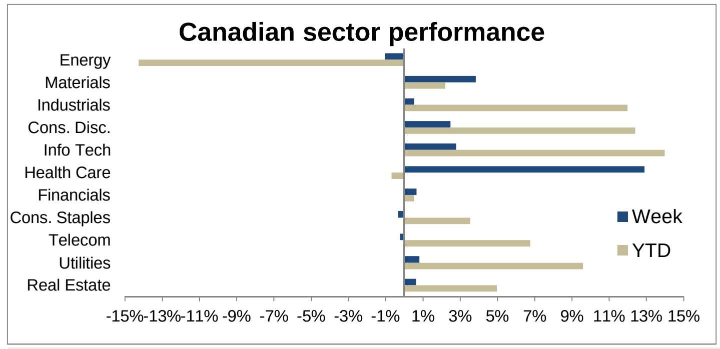
Weekly Market Snapshot

For the week ending June 23, 2017

Equities (local currency, price only, % change)	6/23/2017	Week	QTD	YTD	1 Year
S&P/TSX Composite	15319.56	0.84%	-1.47%	0.21%	8.41%
S&P/TSX Small Cap	619.54	1.22%	-6.74%	-5.94%	2.63%
S&P 500	2438.30	0.21%	3.20%	8.91%	15.38%
NASDAQ	6265.25	1.84%	5.98%	16.39%	27.60%
Russell 2000	1414.78	0.57%	2.08%	4.25%	20.69%
Euro Stoxx 50	3543.68	-0.01%	1.22%	7.69%	16.65%
FTSE 100	7424.13	-0.53%	1.38%	3.94%	17.13%
Nikkei 225	20132.67	0.95%	6.47%	5.33%	23.98%
Shanghai Composite	3157.87	1.11%	-2.01%	1.75%	9.19%
MSCI EM Index (USD)	1011.67	0.85%	5.56%	17.33%	21.10%



Fixed Income (total return, % change)	6/23/2017	Week	QTD	YTD	1 Year
FTSE TMX Canada Universe Bond Index	1049.55	0.48%	2.50%	3.77%	2.92%
FTSE TMX Canada All Corporate Bond Index	1183.06	0.39%	2.15%	4.02%	4.85%

Currencies and Commodities (in USD, % change)	6/23/2017	Week	QTD	YTD	1 Year
CDN $	0.75	-0.40%	0.39%	1.30%	-3.73%
US Dollar Index	97.26	0.10%	-3.08%	-4.84%	3.99%
Oil (West Texas)	42.81	-4.31%	-15.40%	-20.31%	-13.01%
Natural Gas	2.93	-3.56%	-11.67%	-18.32%	-3.17%
Gold	1256.71	0.24%	0.60%	9.52%	-0.01%
Copper	2.63	2.15%	-1.79%	4.46%	20.19%
CRB Index	167.74	-3.07%	-9.76%	-12.87%	-13.32%

Interest Rates - Canada (change in bps)	6/23/2017	Week	QTD	YTD	1 Year
3-month Tbill	0.66	11	14	20	16
GOC bonds 2 yr	0.89	0	15	15	27
GOC bonds 10 yr	1.47	-5	-15	-25	18
GOC bonds 30 yr	1.97	-6	-33	-34	6

NORTH AMERICAN EQUITIES

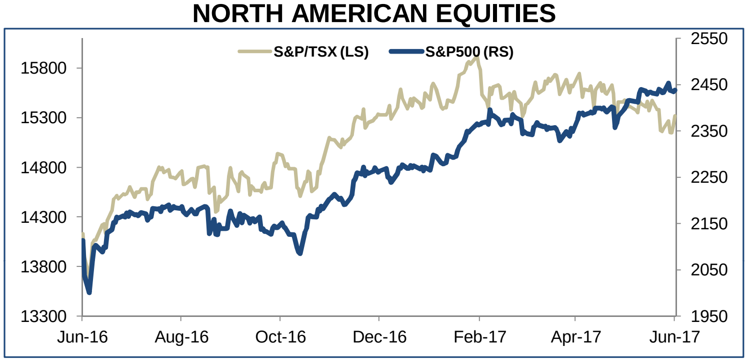
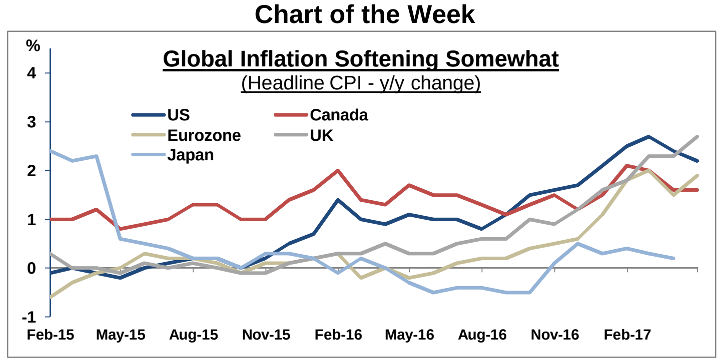


Chart of the Week



HIGHLIGHTS

Equity markets were broadly higher this week, with most major-market indices posting modest gains. The week brought a partial turn-around in many asset prices, with few exceptions, what had dropped the prior week went up and vice-versa. The most notable exception being the price of oil, WTI hit its lowest level since August 2016 dragging down the broad commodity index despite a rise in gold and copper prices.

The S&P 500 healthcare sector was the top performer over the week as Senate Republicans tabled their version of legislation to repeal and replace Obamacare. The 8.3% move in healthcare stocks over the past month is predicated on a belief that neither the previously tabled House bill, nor the Senate bill, ever sees the light of day as law. This may be evidence that the equity market no longer places any faith in Washington D.C.'s ability to accomplish much of anything.

The US technology sector bounced back after two successive weekly declines, helping the NASDAQ retrace roughly half of the 3.5% decline witnessed earlier in June.

Canadian equities were among the top performers for the week as Canada benefitted from some positive sentiment. Warren Buffett struck a deal to acquire $400-million of troubled mortgage lender Home Capital Group's (HCG) common shares and provide a $2 billion line of credit. The share purchase comes at a discount and if all of the transactions are completed, Berkshire Hathaway subsidiary, Columbia Insurance, will own a stake of almost 39% in HCG (at an average price of $10 a share). HCG rose 30% to $18.61. The move spilled over to the broader Canadian financials sector as all of the Canadian banks rose on a week that saw yields fall, the yield curve flatten and US financials retreat.

While US bond yields were stuck in a holding pattern, Canadian bond yields marched to their own drummer. Canadian 2-year yields, which had shot up by 21 basis points in the prior two weeks held firm in the face of a weak inflation report. The recent rise in short-term yields is due to an unexpected change in tone from the Bank of Canada (BoC). The prior week's remarks from senior bank officials suggested that the

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bank's policy bias has shifted toward tightening. Canadian 10-year yields, which had moved up by 10 bps on that same news, gave half of that back as Canadian inflation data for May joined the latest US data in delivering weaker than expected results (see Chart of the Week). Canadian CPI missed already low expectations, rising just 0.1% m/m versus 0.2% expected. The annual rate dropped 0.3% to 1.3%, down from January's peak of 2.1%. All three of the BoC's measures of core inflation continue to drift lower with the average of the three hitting 1.33% y/y.

The latest US inflation data showed US consumer prices falling 0.1% m/m in May and the headline number now sits at 1.9% y/y and core at 1.7% y/y - the slowest pace since May 2015. The weak inflation numbers did not deter the Federal Reserve (Fed) from raising rates on June 14th. The overall tone was hawkish as the Fed provided insight into their thoughts on how to begin to shrink their balance sheet, although no concrete timetable was set.

In the UK, central bankers added their names to the list of potential "tighteners". With UK inflation running at 2.9% y/y this shift in bias is understandable.

While the shifting tone of some central banks has short-term rates moving higher, longer-term yields for now either don't believe the hype, or are fearful that a global shift toward tighter monetary policy will derail the expansion. We would remind readers that only one major central bank is actually tightening (the Fed) and that all are starting from levels one can still describe as ultra-accommodative. Furthermore, the European and Japanese central banks continue to run large quantitative easing programs with global liquidity implications that exert downward pressure on longer-term yields.

Concerns over a flatter yield curve need to be tempered by these facts. For example, in the US, one must ask if 80 bps of slope with the 10-year yield at 2.14% and the 2-year at 1.34% is the same signal (or financial conditions) as 80 bps of slope if the 10-year yield were at 5% and the 2- year at 4.20%? The first scenario represents long yields that are 1.6X higher, whereas the other scenario is only 1.2X higher. With plenty of other data signaling a modest global economic expansion, we are mindful of the signal yields might be sending, but are nowhere near ready to sound an alarm.

Turning to positive signals, preliminary readings on US, eurozone and Japan Purchasing Managers Indices (PMI) were mixed, but on net positive. The US composite sits at 53, eurozone composite at 55.7, and Japan's Nikkei Manufacturing PMI at 52.

In Canada, both retail sales and wholesale trade blew past expectations. Retail sales rose 0.8% m/m vs. 0.3% expected, bringing the y/y advance to 7%. Wholesale trade doubled-up expectations rising 1% m/m. Here back-to-back solid months and a weak prior year comparison have the annual number up 10.3%. The sentiment shift toward Canada hasn't helped the S&P/TSX much (yet?), but it is evident in our dollar. Despite oil prices descending into bear-market territory (-21.9% from Feb 23, 2017), the Canadian dollar has rallied more than 2½ ¢ in the past month. Oil prices are trying to force someone to blink. Either US shale production needs to cool-off (no sign yet as the US active rig count grew again) or 'OPEC & Partners' need to re-visit their quota levels and not just the time extension.

The week ahead brings GDP updates in Canada and the US. The Fed brings down part two of the bank stress test results. US data releases include personal income and spending, trade and readings on consumer confidence. Globally, we get updates to inflation in Japan and