MERCATOR
Financial *Awaken Your Wealth*

Advisor Comments

March 31, 2017

Rates as of March 31, 2017	
Term	*GICs*
1 year	2.09%
2 Year	2.12%
3 Year	2.11%
4 Year	2.15%
5 Year	2.25%
* Rates subject to change	
Daily Interest Account - 0.90%	

GIC Rates: Cannex Financial Network

Stock Exchange	*Year to date March 31, 2017*
TSX (Toronto)	1.70%
DOW (U.S.)	4.56%
S&P (U.S.)	5.53%
NASDAQ (U.S.)	9.82%
CAC (France)	5.35%
FTSE 100 (London)	2.52%
DAX (Germany)	7.25%
NIKKEI (Japan)	-1.07%
HANG SENG (Hong Kong)	9.60%

Quarter Recap

Stock Exchange	Jan 31 2017	Feb 28 2017	Mar 31 2017
TSX (Toronto)	15,386	15,399	15,548
DOW (U.S.)	19,864	20,812	20,663
S&P (U.S.)	2,279	2,364	2,363
NASDAQ (u.S.)	5,615	5,825	5,912
CAC (France)	4,749	4,859	5,123
FTSE 100 (London)	7,099	7,263	7,323
DAX (Germany)	11,535	11,834	12,313
NIKKEI (Japan)	19,041	19,119	18,909
HANG SENG (Hong Kong)	23,361	23,741	24,112

Stock exchange source: http://www.investing.com/indices

Considering the year began with such uncertainty, equity and fixed income markets performed exceptionally well in the first quarter. Investors overestimated the magnitude of market volatility that would ensue from an Obama to Trump transition of power and markets shrugged off the political drama and took equities higher.

Challenges in the quarter

This past quarter exemplifies what investors should consider with regard to their portfolios. There are many sentimental reasons to fear the stock market, including recent examples like Brexit, Grexit, the Fiscal Cliff, the Debt Ceiling, the election, and the budget. Markets can be swayed over the short term by daily headlines. Equity markets can move up or down for any and all reasons on a daily basis. However, over the long term, market valuations tend to return to their fundamentals—and the fundamentals over the past two quarters have justified markets moving higher.

Oil prices

Starting in Canada, oil prices seem to have stabilized through the first quarter to nearly U.S. $50 per barrel, bringing less volatility for Canadian stocks. The S&P/TSX Composite Index gained 2.4 per cent factoring in dividends through the quarter. Oil prices are expected to remain near their current level, which has multiple implications. First, stable oil prices are positive for the Canadian energy sector and Canadian stocks overall. Secondly, as oil prices remain a strong influence on the Canadian dollar, stable prices should translate into a stable dollar with an average exchange rate near its current U.S. $0.75.

The United States

South of the border, the newly appointed Trump administration added a new element to conversation–and not just for talk shows! Putting politics aside, companies are reporting better year-over-year results on sales and earnings. Unemployment continues to fall. Economic growth continues to improve. In short, the U.S. economy is on the right track. And with it, come prospects for equities through the remainder of the year. The benchmark S&P 500 Index gained 6.1 per cent in the first quarter including dividends, in U.S. dollar terms, or 5.3 per cent, in Canadian dollar terms, reflecting improvements in company results.

Overseas

Overseas markets showed healthy gains with international equities up 6.6 per cent in Canadian dollars as measured by the MSCI EAFE Index. Brexit considerations aside, the European economic outlook has improved, akin to that of the United States. On the other side of the world, Asia is

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showing improvement in its regional economies and stock markets—suggesting the growth we see is truly global in nature.

Central Bank Policy
This quarter marked the third time in two years, and since the Great Recession, that the U.S. Federal Reserve raised its benchmark interest rate. The Bank of Canada didn't and hasn't followed suit as the Canadian economy hasn't performed as strongly as the U.S. economy. The U.S. Federal Reserve is expected to continue to raise its benchmark rate another two or three times this year. The environment is meeting the conditions of low unemployment and stable inflation, allowing the Fed to act.

Looking forward
We continue to believe the U.S., Canadian and international economic environment will improve over what it was a year ago but it bears repeating that a positive economic environment doesn't necessarily mean better returns. While we may be confident that equity markets will deliver another year of positive returns, market volatility is likely to remain through much of 2017—driven mainly by headline news and politics. We continue to advise a balanced approach to asset allocation matched to your individual goals.

As always, if you have any questions about the markets or your investments, feel free to call.

(Information Source: Manulife Q12017 Client letter)

New look for Spring!

It was time to freshen up our look and enhance our image! We updated our website - all the old favourite items remain, just in a new spot! Plus we have added in a few resources and tools. Check it out www.mercatorfinancial.ca

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Manulife Securities Investment Services Inc. PH: 306-778-6611 FAX: 306-778-7644
MFDA Advisors:
Certified Financial Planners, Mutual Fund Advisors: Larry Jensen, Randy Sommerfeld, Travis Cuthbert
Senior Financial Consultant & Life Insurance Agent: Norman Tonnies
Life Insurance Agents with Mercator Financial Inc.

Manulife Securities Incorporated PH: 306-778-0730 FAX: 306-778-0371

IIROC Advisors:
Certified Financial Planner, Registered Representative & Life Insurance Agent: Craig Robinson
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