

**Rates as of  
September 29, 2017**

Term	GICs
1 year	2.22%
2 Year	2.37%
3 Year	2.30%
4 Year	2.38%
5 Year	2.55%
<b>* Rates subject to change</b>	
<b>Daily Interest Account - 1.10%</b>	

GIC Rates: <http://cannex.com/customerportal>

Stock Exchange	Year to date
	Sept. 29, 2017
TSX (Toronto)	2.27%
DOW (U.S.)	13.37%
S&P (U.S.)	12.53%
NASDAQ (U.S.)	20.67%
CAC (France)	9.61%
FTSE 100 (London)	3.22%
DAX (Germany)	11.74%
NIKKEI (Japan)	6.50%
HANG SENG (Hong Kong)	25.24%

**Quarter Recap**

Stock Exchange	Jul 31 2017	Aug 31 2017	Sept 29 2017
TSX (Toronto)	15,144	15,212	15,635
DOW (U.S.)	21,891	21,948	22,405
S&P (U.S.)	2,470	2,472	2,519
NASDAQ (u.S.)	6,348	6,429	6,496
CAC (France)	5,094	5,086	5,330
FTSE 100 (London)	7,372	7,431	7,373
DAX (Germany)	12,118	12,056	12,829
NIKKEI (Japan)	19,925	19,646	20,356
HANG SENG (Hong Kong)	27,324	27,970	27,554

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

**Challenges in the quarter**

This past quarter exemplifies what you as an investor should consider regarding your portfolio. We've seen tensions increase in the North Korean peninsula and the Middle East and ongoing drama from the United States. You'd be forgiven if you thought the increased drama had negatively affected global equity markets. Equity markets can move up or down each day for many reasons but over the long term, market valuations tend to return to their fundamentals—and the fundamentals during the past three quarters have justified markets moving higher.

**Canada**

Oil prices advanced throughout the quarter by nearly twelve per cent to US\$51.7 per barrel. A strong economy and a rebound in commodity prices helped S&P/TSX Composite earnings grow at nearly 32 per cent. Nine of ten sectors saw positive earnings growth in the third quarter, which helped the S&P/TSX Composite Index gain 2.9 per cent. The U.S. is expected to produce 10 million barrels of oil a day by next year, which will offset recent increases in global oil demand. As a result, oil will likely average in the high US\$40 range for the rest of the year.

**United States**

U.S. corporations are reporting better year-over-year sales and earnings results. Employment continues to improve with a falling unemployment rate, recently 4.4 per cent as of the end of August. This implies wage growth in the second half of 2017. Higher wage growth coupled with low gasoline prices means U.S. consumption is in a strong fundamental position. Since U.S. consumption accounts for three quarters of U.S. economic output, the U.S. economy is on the right track. As a result, prospects for equities should be good for the rest of the year. The benchmark S&P 500 Index gained 4.0 per cent in the second quarter, in U.S. dollar terms, or slightly negative at -0.1 per cent in Canadian dollar terms, reflecting improved company results.

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## Overseas

In overseas markets, international equities rose 0.7 per cent in Canadian dollar terms as measured by the MSCI EAFE Index. Brexit considerations aside, the European economic outlook has improved. Asia is showing improvement in its regional economies and stock markets—suggesting the growth we see is truly global in nature.

## Central Bank Policy

In the second quarter, the U.S. Federal Reserve did not tighten interest rates after raising them twice by increments of 0.25 per cent to 1.25 percent in 2017. However, they announced they will begin to reduce the \$4.5 trillion balance sheet starting in October. The U.S. Federal Reserve is expected to continue to raise its benchmark rate another time by the end of the year.

The Bank of Canada began tightening its interest rate policy to 1.0 per cent by announcing two rate increases of 25 basis points each in July and September. As a result, the Canadian dollar rallied nearly four per cent versus the U.S. dollar. It's expected rates will increase very gradually going forward. The recent increases were significant changes considering Canada hasn't seen a rate increase since September 2010.

## 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 equity markets will deliver another year of positive returns, market volatility is likely to remain through the rest of 2017, driven mainly by headline news and politics.

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

*(Information source(s): Manulife Securities client letter - October 5, 2017)*

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