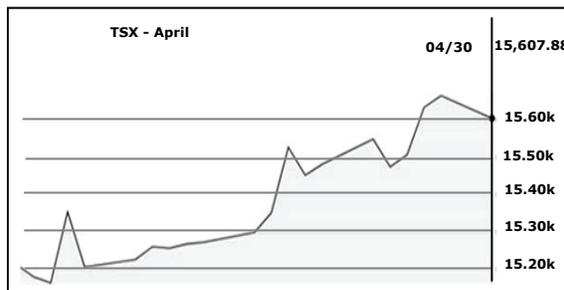


### Mercator Market Watch

#### What happened in April?

Two closely linked market factors provided Canadian-focused investors with largely positive returns last month. The price of oil continues to rise driving Energy stocks upward, and when coupled with the trend to higher interest rates that drive Financials higher, the TSX turned-in its best monthly return since September and October of 2017. The result significantly out-paced the U.S. markets indices.

The S&P 500, Dow and NASDAQ ended April essentially where they began. With only very small gains for the month, the U.S. major indices had a much choppy and much more “interesting” month than our TSX.



Source: Bloomberg <https://www.bloomberg.com/markets>

American indices rose crisply at the start of the month, fell back just as sharply at the end of the first week, rose again and peaking on April 17<sup>th</sup>/18<sup>th</sup>, then dropping 2-4% a week later on the 24<sup>th</sup>. By comparison the TSX enjoyed the same start-of-month increase, not nearly as a severe pull back in the first week, and then a steadily increasing overall value for the remainder of the month. Like the U.S. indices a little was ‘given back’ on April 30<sup>th</sup>.

The profiles of the three U.S. indices during the middle of the month followed one another closely; thankfully, the TSX took its own path to positive returns.

Many economic, market and political factors contributed to these differences between Canadian and American markets. In a somewhat surprising trend, the rhetoric and effect of President Trump’s personal and electoral legal troubles seem to be subsiding. A congressional committee dominated by Republicans cleared him of any wrongdoing with Russia related to the 2016 election. Also, his personal attorney, Michael Cohen, received a 90-day suspension of the civil proceedings involving Stormy Daniels (which centre on a \$130,000 payment made to avoid a Trump scandal immediately before the Presidential election), while Mr. Cohen attends to his criminal legal issues.

With these two items fading slightly into the background, U.S. economic developments that often directly affect Canada rose in importance. The trade oratory concerning tariffs and NAFTA progress moved into positive territory. There had been a stated desire by the U.S. to have a tentative agreement on NAFTA by mid-month to coincide with the Meeting of the

Stock Exchange	Year to Date Dec. 31, 2017 to Apr. 30, 2018
TSX (Toronto)	-7.04%
DOW (U.S.)	-2.25%
S&P (U.S.)	-7.69%
NASDAQ (U.S.)	2.36%
CAC (France)	3.91%
FTSE 100 (London)	-2.32%
DAX (Germany)	-2.37%
NIKKEI (Japan)	-1.96%
HANG SENG (Hong Kong)	2.97%

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

Rates as of April 30, 2018*		
Term	GICs	RSPs
1 year	2.45%	2.41%
2 Year	2.79%	2.78%
	2.68%	3.05%
	3.05%	3.02%
4 Year	3.07%	3.06%
	3.25%	3.25%
	3.25%	3.25%

\* Rates subject to change without notice.

DAILY INTEREST ACCOUNT
1.25%

TAX FREE ACCOUNT
1.25%

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

Americans in Peru, but the American response to gas attacks in Syria kept President Trump at home. Upcoming mid-term elections in the U.S. and a Mexican Presidential election are expected to continue to push progress along.

Even with plenty of chest-beating by all involved the possibility of positive discussions between North and South Korea, and with the U.S., appear to be moving ahead. North Korean leadership has had a track record of promising and/or agreeing to reforms to receive economic concessions and then failing to hold up their end of the agreement with de-militarization and improved human rights changes. President Trump seems very optimistic, while State Department veterans are more pessimistic that lasting changes will result; but any progress is better than further erosion of relations.

## What's ahead for May and beyond?

During the first week of May, approximately 25% of S&P 500 firms will announce their latest financials (earnings are expected to be more than 20% ahead of last year according to Bloomberg, Edward Jones, and others). This continued positive run is expected to continue once lower corporate income tax rates take hold and provide their expected benefit as the next year unfolds.

The U.S. Federal Reserve will announce its latest interest rate decision on May 2<sup>nd</sup>. If interested, it will be reported and is available for streaming at: <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

Watching the Federal Open Market Committee announce interest rate policy, and specifically their underlying rationale, is an excellent tonic for those suffering from insomnia! As previously mentioned, the Fed is expected to quicken the pace and size of interest rate increases in 2018 compared to last year with a possibility of four increases this year. It doesn't appear that the Fed will announce their second increase of 2018 on May 2<sup>nd</sup>, but we may begin planning for slightly higher interest rates as 2018 progresses, and into 2019.

(Information source(s): Advisor Research Group—Market Update 04.30.18

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