

August 31, 2016

The second quarter saw a powerful rally in sovereign bond markets which took yields to new lows in many major markets. Estimates suggest that around one third of the developed government bond market is now trading on a negative yield. The bond market rally gained added momentum from the UK vote to leave the European Union on June 23rd. This event was not foreseen and investors scrambled into safe havens such as government bonds, gold and currencies like the US dollar and Japanese yen. After initially falling on the Brexit vote, global equities have subsequently rallied as investors have focussed on the increase in liquidity from central banks and the potential for fiscal stimulus in some economies. It has been said that the economic impact of Brexit will be felt most keenly by the UK and will also dampen Eurozone growth. However, the global impact is negligible as the UK only represents about 4% of world GDP and contagion effects through financial markets have been contained by the central banks. However this being said many still feel that this is a warning populist politicians should not be underestimating in the current environment where a large proportion of the population are dissatisfied with the establishment. ¹

Canadian TSX: Oil started the month off threatening to break below \$40 however, it has since recovered and sits closer to \$45 a barrel. The Canadian Loonie sits around \$0.76 cents against the US dollar seeing a year-to-date return of +7.5%. Canadian banks have recently stolen the spot light as earning season has begun, beating market expectations. Unemployment rate improved to 6.8% from 7.1% from the beginning of the year, while the overnight lending rate continues to stay put at 0.5%. The world continues to observe what tomorrow will bring for the hot real-estate market in Canada, specifically Vancouver and Toronto. On August 2, 2016 the province of British Columbia introduced a tax that will be added to the Property Transfer Tax and will apply to all residential properties purchased by foreign nationals or foreign-controlled corporations. Many fear that the housing bubble will have a similar effect which took place in the United States during the "Great Recession" of 08-09'. ²

U.S. Federal Reserve has finally given the markets some indication that a rate hike is in the near future. Janet Yellen's speech in Jackson Hole noted the improvement, saying "in light of the continued solid performance of the labor market and our outlook for economic activity and inflation, I believe the case for an increase in the federal funds rate has strengthened in recent months." Recently we have seen the Dow Jones and S&P 500 seeking new highs as they have had a year to date return of 6.5% and 6.8% respectively. However, due to the rally of the Canadian dollar over the same time period this has given Canadians flat returns after the currency conversion.² We urge you to contact your Wealth Advisor if you have any questions relative to your portfolio or planning needs.

Stock Exchange	Year to Date Aug. 31, 2016
TSX (Toronto)	12.21%
DOW (U.S.)	5.60%
S&P (U.S.)	6.21%
NASDAQ (U.S.)	4.11%
CAC (France)	-4.29%
FTSE 100 (London)	8.64%
DAX (Germany)	-1.40%
NIKKEI (Japan)	-11.28%
HANG SENG (Hong Kong)	4.85%

Rates as of Aug. 31st, 2016 *		
Term	GICs	RSPs
1 year	2.05%	1.46%
2 Year	2.22%	1.65%
3 Year	2.27%	1.76%
4 Year	2.26%	1.81%
5 Year	2.26%	1.91%
* Rates subject to change without notice.		
DAILY INTEREST ACCOUNT		
1.00%		
TAX FREE ACCOUNT		
1.00%		

Information source(s):

[¹ - Information source : Schroeders economics2/global-market-perspective2/q3-2016/]

[² - Information compiled from TD Weekly Market Report - August 26, 2016]

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