

Mercator Market Watch

What happened in May?

An easier question to answer might be, 'what didn't happen in May?'

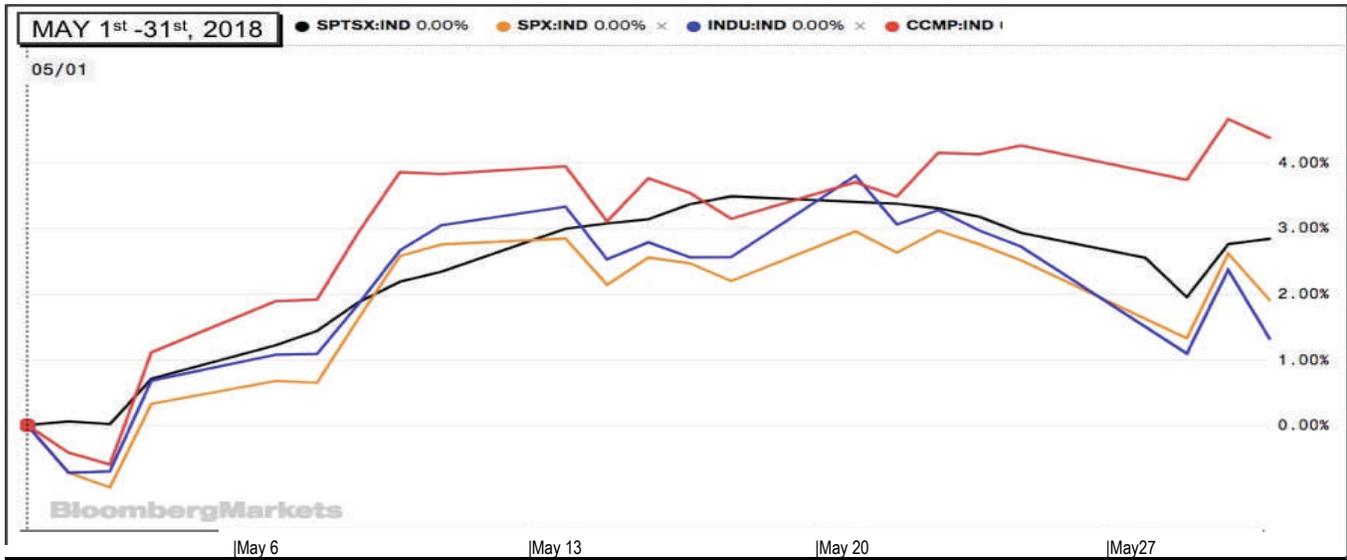
- There was no meaningful progress on NAFTA renegotiations among Canada, Mexico and the U.S. and the open trading among the three countries took a decidedly negative turn on May 31st.
 - President Trump imposed tariffs on certain steel and aluminum products originating in the United States in the amount of 25% and 10%, respectively. Unfortunately, he defied many of his fellow Republican members of Congress, and didn't just penalize China, but also included NAFTA counterparts.
 - In total two-way trade in steel and aluminum products approximately \$70 Billion in goods crosses the border in both directions according to the Globe and Mail (source: <https://www.theglobeandmail.com/world/us-politics/article-us-slaps-tariffs-on-canadian-steel-aluminum/>)
 - Both Canada and Mexico retaliated in a new round of tit-for-tat trade restrictions with Canada promising to affect \$16.6 Billion (based on 2017 levels) in goods. The announcement can be found at <https://www.fin.gc.ca/activty/consult/cacsap-cmpcaa-eng.asp>
 - The list of affected products found at the web link (above) is extensive and naturally includes flat-rolled iron and steel alloy, metal bars and rods, wire, cables. Also included in the list are yogurt, mayonnaise, whiskies, beer kegs, toilet paper, lawn mowers, dishwashers, and many other products. The list of products will be finalized in mid-June.
 - The European Union (EU) is preparing its retaliatory measures as well.
- The Bank of Canada did not raise its benchmark interest rate on May 30th as many analysts had earlier expected.
 - The Financial Post predicted the likelihood of a rate increase in May as high as 40% until mid-month, when April's inflation figures were announced. Annualized inflation for April fell to 2.2% from 2.3% in March. Gross Domestic Product (GDP) data indicated that economic growth is weakened in 2018 compared with last year. Factoring in these two indicators and several more, of course, the markets had priced-in a May rate increase at 17% likelihood, and now stands at 55% for July according to CBC News. (source: <http://www.cbc.ca/news/business/bank-canada-poloz-interest-rates-1.4682313>)
- Oil discontinued its recent rise to levels that exceeded 2014 levels. Political struggle in Venezuela threaten their production and exports, which caused the rise in prices of 8% during the first three weeks of May. In the last ten days of the month, all of the gains were given back and more.

Stock Exchange	Year to Date Dec. 31, 2017 to May 31, 2018
TSX (Toronto)	-0.91%
DOW (U.S.)	-1.23%
S&P (U.S.)	1.18%
NASDAQ (U.S.)	7.80%
CAC (France)	1.62%
FTSE 100 (London)	-0.12%
DAX (Germany)	-2.42%
NIKKEI (Japan)	-3.12%
HANG SENG (Hong Kong)	1.84%

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

Rates as of May 31, 2018*		
Term	GICs	RSPs
1 year	2.52%	2.43%
2 Year	2.89%	2.83%
3 Year	3.07%	3.07%
4 Year	3.12%	3.12%
5 Year	3.31%	3.31%
* Rates subject to change without notice.		
DAILY INTEREST ACCOUNT		
1.25%		
TAX FREE ACCOUNT		
1.25%		
GIC Rates: http://cannex.com/customerportal		

For the entire month, the price of oil had the TSX peaking at the same time (roughly the 20th and 21st) American indices, along with the TSX, delivered strong performance. The NASDAQ was the star again for the month, with a return for May well over 5%.



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

What's ahead for June and beyond?

Expect the trade war started by President Trump to generate much political discussion domestically in the U.S. and in all affected countries. The retaliation from Canada, Mexico and the EU will affect equity markets and jobs.

The Bank of Canada may have its anticipated rate increase for July postponed based upon trade restrictions, and their effect on Canadian economic growth, inflation and jobs. Delayed interest rate decisions and trade numbers could also continue the trend of a lower Canadian dollar.

(Information source(s): Advisor Research Group—Market Update 05.31.18)

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