MARKET & ECONOMIC SUMMARY

Volume 5, Issue 2 – April 2017

MARKET SUMMARY

First Quarter 2017

S&P/TSX Composite TR

Q1	YTD	1 year
2.4%	2.4%	18.6%

S&P 500 TR (USD)

Q1	YTD	1 year
6.1%	6.1%	17.2%

MSCI EAFE GR (C$)

Q1	YTD	1 year
6.8%	6.8%	15.7%

B of A Canada Broad Market TR

Q1	YTD	1 year
1.2%	1.2%	1.4%

FIRST QUARTER HIGHLIGHTS

- S&P/TSX Composite closes at record high of 15,922.40 on February 21st
- S&P 500 closes at an all-time high of 2,395.96 on March 1st
- Cdn dollar gains 0.8 cents in Q1 closing at $0.75 USD March 31st
- WTI Oil hits 19 month high of $54.36 USD on February 21st
- Federal Reserve increases overnight rate to 1.00% on March 15th

SUMMARY

The first welcome signs of spring are arriving and we can start looking forward to summer. In reviewing the first quarter of 2017, financial markets in Canada and around the world continued to be lifted by positive momentum, based on the expectation of continued economic growth, low interest rates, and moderately rising inflation.

Although global equity markets were somewhat unsettled during the three-month period, they finished with generally positive results. The MSCI EAFE Index returned 6.8% in Canadian dollar terms. The S&P 500 Index in the U.S. reached a new high in early March, and ended the period with a gain of 6.1% (5.3% in Canadian dollars). In Canada, S&P/TSX Composite Index earned 2.4% for the quarter. Although lower oil prices continued to weigh on the Canadian energy sector over the past three months, the index was buoyed by stronger results for the materials, information technology and consumer discretionary sectors.

Overseas markets were also generally positive, with particularly strong results in Hong Kong, Taiwan and several other Asian markets. The exception in the Pacific region was Japan's Nikkei Index, one of the few global equity markets to lose value in the first quarter. European equities, including markets in London, Paris and Frankfurt, were also up for the period, as were most emerging market indexes.

Global government bond yields dipped through the period as prices rose, and high-yield and investment-grade corporate bonds outperformed. The U.S. Federal Reserve raised interest rates by 0.25% as expected in mid-March, and is on track to make two more rate increases in 2017. Other major central banks in Europe and Japan, as well as the Bank of Canada, however, chose to continue with the looser monetary policy designed to support their economies, and left rates unchanged. The Bank of America Canada Broad Market Bond Index returned 1.2% for the three-month period.

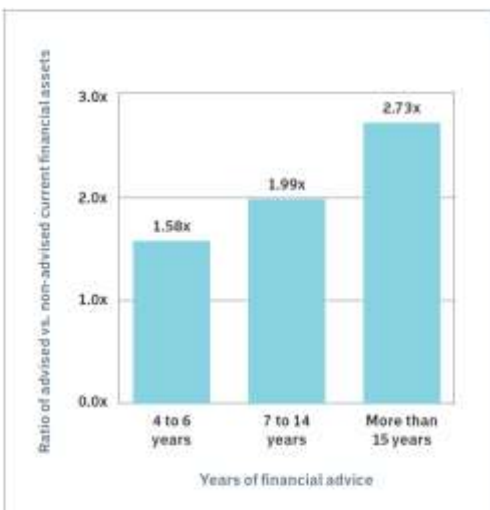
The current bull market in North American equities marked its eighth anniversary during the quarter, making it the second-longest bull market in history. U.S. equities as measured by the S&P 500 Total Return Index have gained about 300% since the global financial crisis lows of March 2009, while the Canadian S&P/TSX Composite Total Return Index is up about 143% in value, both in Canadian dollars. Although many of the conditions supporting economic expansion remain, markets rarely continue to rise without temporary corrections or bouts of volatility.

"When you examine the cost of something, you need to take into consideration the benefit you receive from it." – Cy Korun

STRATEGIC NOTES

The year-end investment statements for 2016 marked the first time many investors were able to see the fees, in dollar terms that were paid to their financial advisor. By being able to see the "cost" of financial advice, this should lead to the next logical question - What is the "value" of financial advice?

The Investment Funds Institute of Canada (IFIC) has released several reports on this topic. Some of the results are rather intuitive where advised investors report increased confidence in their ability to retire comfortably and higher satisfaction with their current financial situation than non-advised investors. But how do you put a number to this so that you can measure this value? Some of the most telling data in their most recent report comes from the research findings of the CIRANO Institute. After factoring out the impact of socio-economic, demographic and attitudinal variables that impact the financial assets of an individual investor, the study shows that the presence of a financial advisor not only has a significant positive impact to the level of assets accumulated by an investor, but that the impact becomes even more pronounced the longer that this advice relationship has been in effect.



On average, over a period of 15 years, advised investors accumulate nearly three times the amount financial assets than non-advised investors. I can't help but think of a very misleading recent television commercial that suggests an investor will erode their retirement savings by 30% over time as a result of the fees they pay for investment management and financial advice. Even ignoring that the commercial incorrectly implies an advisor charges both of these fees, it is a good example of how an erroneous conclusion can often be reached when one only looks at the cost and doesn't take the time to calculate the benefit that is received for that cost.

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