

## Weekly Commentary – November 27, 2017

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### Economic Calendar

Date	Release	Period	Consensus	Previous
<b>U.S.</b>				
November 30	Personal Income	October 17	0.3%	0.4%
December 1	Markit Manufacturing PMI Final	November 17	53.5	54.6
December 1	Construction Spending	October 17	0.6%	0.3%
<b>Canada</b>				
December 1	GDP Growth Rate Q/Q	Q3 17	0.4%	1.1%
December 1	Full Time Employment Change	November 17	17.8 k	88.7 k
<b>Key Earnings:</b>				
November 27: Forward Pharma A/S, MTS Systems Corp., Thor Industries Inc.				
November 28: Christopher & Banks Corp., Marvell Technology Group Ltd.				
November 29: Box Inc., Guidewire Software Inc., Synopsys Inc., Tiffany & Co.				
November 30: Barnes & Noble Inc., Gencor Industries Inc., Kroger Co., VMware Inc.				
December 1: American Woodmark Corp., Oaktree Strategic Income Corporation				

Source: Trading Economics, Yahoo Finance

### Market Focus

#### Canadian retail demand remains flat

The latest information from Statistics Canada revealed a 0.1% increase in retail sales in September. The marginal increase was due to higher prices for gasoline. Excluding this component, overall sales fell 0.2% during the month. After rising to a new all-time high in July, retail sales have been largely unchanged and year-over-year sales growth has slowed to 6.2% from the seven-year high of 10.3% posted in May. On a quarterly basis, retail sales increased an annualized 1.8% in the third quarter, the weakest showing since an outright decline of 6.8% (on the same basis) in the first quarter of 2015. This will undoubtedly be reflected in slower overall GDP results for the quarter when Statistics Canada reports this data on December 1.

#### U.S. durable goods orders slide

After three straight months of substantial gains, the U.S. Census Bureau announced that durable goods orders decreased 1.2% in October. However, a sustained increase in actual shipments pointed to at least some continued momentum in the economy heading into the close of 2017. Also troubling, was news that orders for non-defence capital goods excluding aircrafts, a closely watched proxy for business spending plans, declined 0.5% in the latest report. That was the biggest drop since September 2016, but followed an upwardly revised 2.1% increase in September of this year. The wide monthly moves in durable goods orders may continue as some increased volatility in the U.S. dollar will likely translate into swings in foreign orders.

#### Hong Kong marks 10-year high

Hong Kong's Hang Seng index closed above the 30,000 level on November 22, 2017 for the first time since November 3, 2007. Like all other major international stock indexes, this market plummeted dramatically during the global financial crisis of 2008-09. Over the span of just less than a year, the Hang Seng fell from an all-time high of 31,638 on October 30, 2007 to a closing level of 11,016 on October 27, 2008. The cumulative 65.2% loss was one of the heaviest among industrialized nations. Even though the recent move represents a 172% gain from the bottom, like other major indexes, this index has thus far failed to achieve a new all-time high. Analysts suggest that conditions remain supportive as the index continues to reclaim this lost ground.

## Longer View

Following several years of a general expansion in the price-earnings ratio of equities, we believe returns from this asset class will moderate somewhat and become more closely tied to the rate of growth in company earnings. With equity market volatility increasing to at least the normal range, it's important to keep in mind that equities are best suited for long-term investing, and that the allocation in your portfolio should reflect your investment horizon and risk tolerance. Fixed-income investments, while generally providing limited income in today's low interest rate world, are an effective diversifier in a portfolio. When there is extreme pessimism in the equity market, fixed-income tends to outperform. There is no one asset class that looks better than others, in our view, as their current valuations accurately reflect their potential and risk. Talk to your professional advisor to ensure your portfolio is optimized and continues to meet your needs.

## Weekly Summary

### November 20

▲ The U.S. Conference Board announced that its Leading Economic Index increased 1.2% in October, following a 0.1% increase in September and a 0.4% increase in August. The monthly move was largely due to dissipating concerns over the hurricanes that influenced the prior readings. This figure is stronger than market consensus. The report suggests that the expansion in the U.S. economy should continue into the new year.

### November 21

▼ Statistics Canada reported that wholesale sales fell 1.2% to \$62 billion in September, following two consecutive monthly increases. At the same time, inventories rose 0.6% to \$81.1 billion during the month, the fifth advance in six months. On a year-over-year basis, overall wholesale sales are up 9.9%, while inventories are up 9%. The monthly sales results were weaker than expectations. Activity at the wholesale level can be an indicator of future consumer trends.

▲ According to the U.S. National Association of Realtors, existing-home sales increased 2% to a seasonally adjusted annual rate of 5.48 million units in October from a downwardly revised 5.37 million in September (originally a 5.39 million-unit pace). Sales are 0.9% below the pace in October 2016. These results are somewhat stronger than consensus expectations. Activity in the housing market has a significant "ripple" effect on the broader economy.

### November 22

▼ The U.S. Department of Labor announced that initial jobless claims totalled 239,000 (seasonally adjusted) in the week ending November 18, a decrease of 13,000 from the previous week's revised level. The previous week's level was revised up by 3,000 from 249,000 to 252,000. The four-week moving average was 239,750, an increase of 1,250 from the previous week's revised average. The previous week's average was revised up by 750 from 237,750 to 238,500. These results are in line with consensus estimates.

▼ The U.S. Census Bureau announced that durable goods orders decreased 1.2% in October, following a 2.2% increase in September. Excluding transportation, new orders increased 0.4% in October. Excluding defence, new orders decreased 0.8%. These figures are weaker than market expectations. Orders for durable goods indicate how busy manufacturers will be in the months to come, as they work to fill those orders.

### November 23

▲ The IHS Markit Eurozone Manufacturing Purchasing Managers Index increased to a 60.0 reading in November from 58.5 in October. This report pointed to the fastest expansion in factory activity since April 2000. The index was pushed higher by rising new orders and a record gain in manufacturing. These results were stronger than consensus estimates.

▲ Statistics Canada reported that retail sales edged higher in September, gaining 0.1% (seasonally adjusted) following August's matching 0.1% decline. Higher sales at gasoline stations were the main contributor to the gain, particularly due to higher prices. Excluding sales in this subsector, retail sales declined 0.2%. Year-over-year sales growth slowed to 6.2% from 8.9%. These results are below consensus estimates. Since consumer spending accounts for over 60% of Canadian economic activity, it is critical for overall GDP results.

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