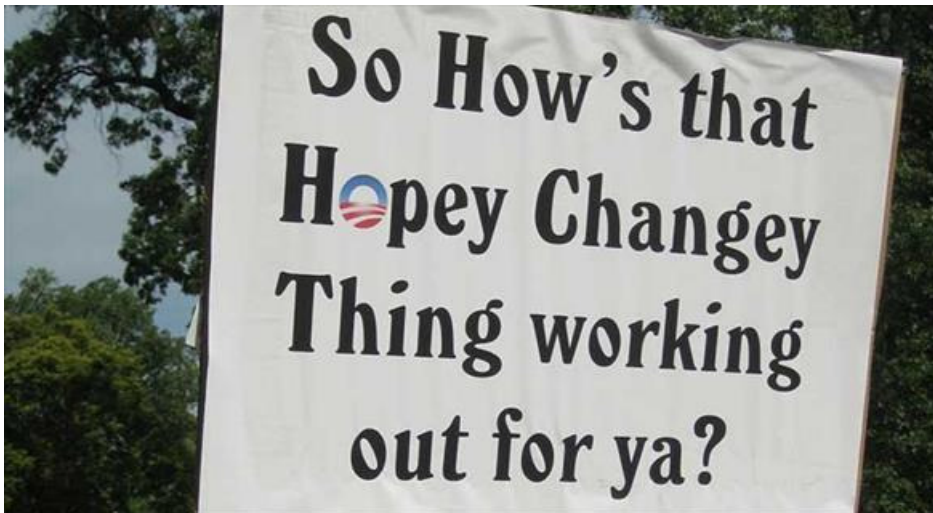


Ermes Monaco

From: Ermes Monaco
Sent: June-30-17 3:21 PM
To: Ermes Monaco
Subject: VALUED CLIENT MAIL LIST: Summer 2017 Economic Perspective



THE MORE THINGS CHANGE ...



Source: Google Images

With the U.S. political reality settling in, the world is adjusting to what the visiting Italian President has described as the “novelty” that is Trump (Canadian Press, June 28). In the meantime, financial markets are returning back to business as usual as expectations of significant economic change driven by U.S. policy have been abandoned, at least for the foreseeable future.

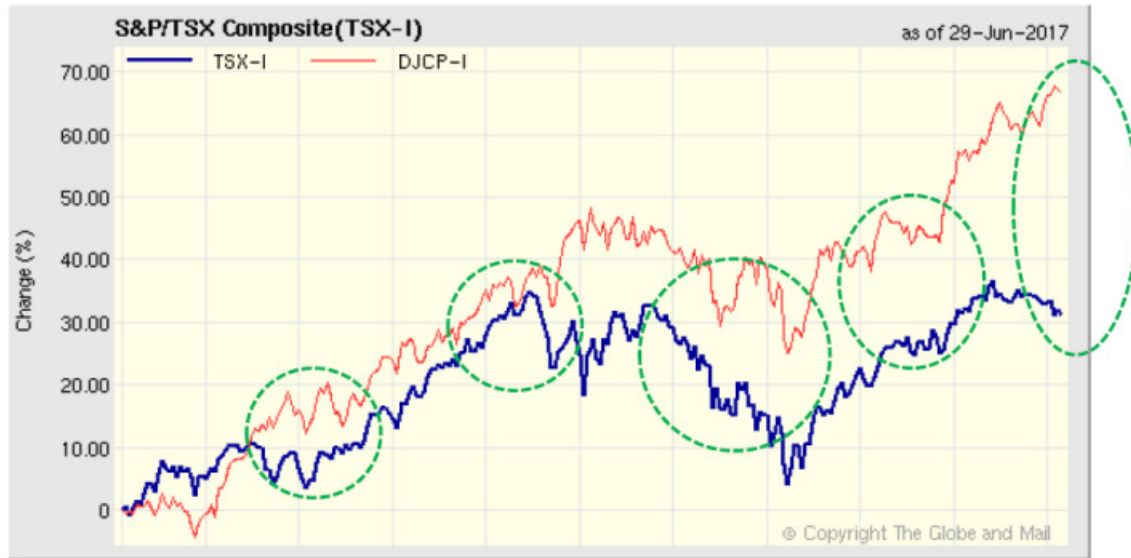
So, what is “usual” for the markets at this time?:

1. Summer Market Values

Market values during the summer traditionally tend to be weaker and more volatile. This year is no exception. Trading volumes decline due to investor vacation absence, allowing minor exaggerated activity to stand out. This produces temporary higher volatility and is in no way indicative of market trend. True underlying value is re-established after the summer when market participants and volume returns. In the

meantime, summer time market prices should be viewed with some doubt about actual intrinsic value. An encouraging underlying trend is the way the summer cycles tend to correct higher each year.

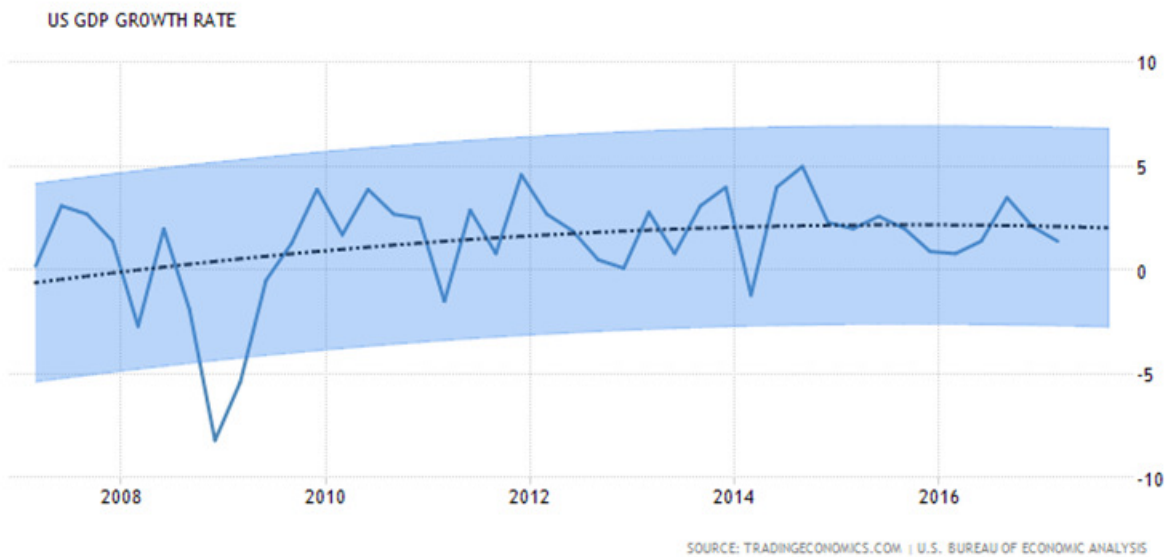
Last 5 years



Source: *Globeinvestorgold*

2. Moderate but consistent rate of growth

Ignoring the political distractions of the current administration, the U.S. continues to be the key directional economy globally at the least for the present. The following chart illustrates the growth trend for U.S. GDP which, with the exception of a quarter in 2011 and a quarter in 2014, has demonstrated a modest but consistent positive performance post-recession. Post-election uncertainty has slowed recent growth although the most recent quarter has been revised upward to 1.4%, albeit a tepid but still positive output.

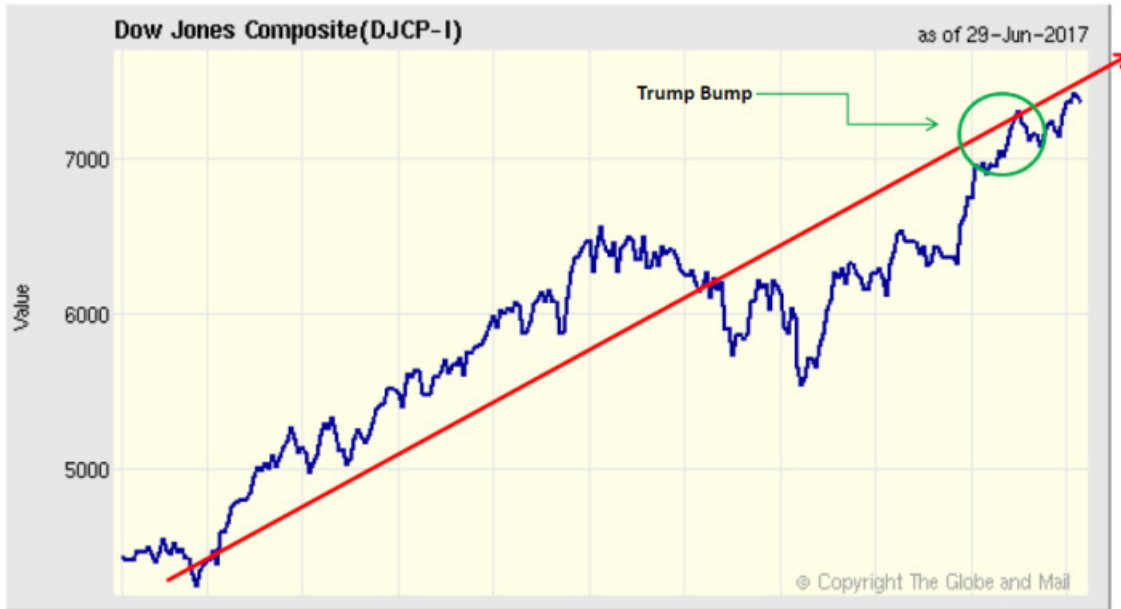


3. Stock Market re-alignment

As we've discussed in previous newsletters, the "Trump Bump" has given way to the "Trump Dump" as stock market rallies earlier in the year have migrated to profit taking on diminishing expectations. Consequently, the market trend has re-aligned

itself back to the previous pre-Trump trend. This suggests continued but measured market strength as stock valuations remain near all-time highs.

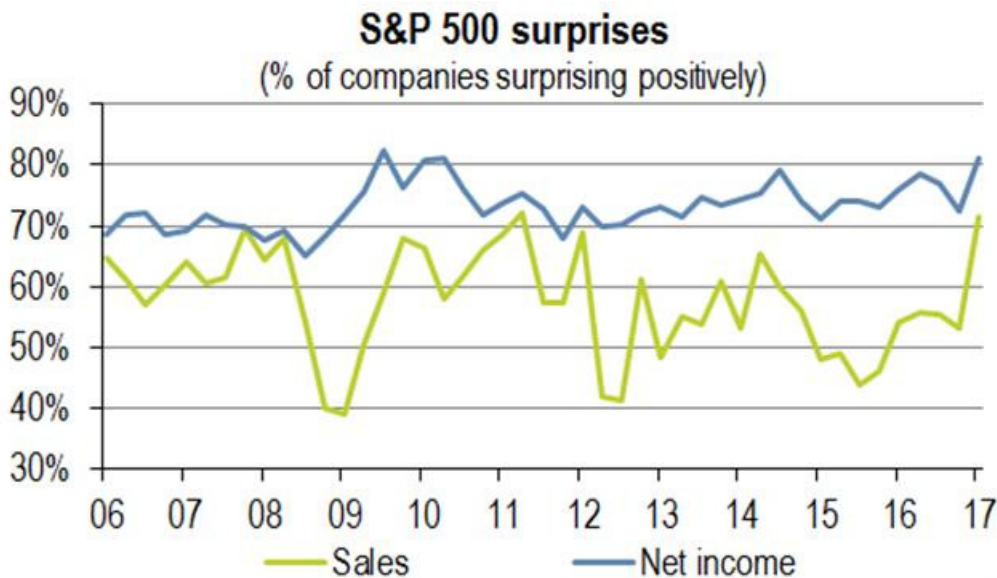
Last 5 years



Source: *Globeinvestorgold*

4. Corporate earnings

The financial markets have returned to evaluating economic and business fundamentals including corporate earnings as a gauge of strength. While concern remains for U.S. companies due to possible anti-U.S. sentiment, many key business leaders such as Elon Musk (Tesla), Tim Cook (Apple) and Jeff Bezos (Amazon) have been distancing themselves from Trump policies regarding immigration and trade agreements. Major industrial producers such as Boeing and Ford continue to offshore production to support sales abroad and manage operating costs. Therefore, the current market consensus is that corporate America will survive and continue to perform globally as demonstrated by recent corporate reporting. However, caution should be exercised following the recent earnings bounce as conditions remain moderate globally. The world has truly become a global village economically.



Source: Bloomberg, BNPP IP

5. Energy Prices

Energy prices have retreated again recently, maintaining the low energy cost environment. While Canadian GDP continues to be impacted by this, the Governor of the Bank of Canada considers the Canadian economy has now sufficiently adjusted to prevailing conditions and may be able to sustain an interest rate increase as early as July. New GDP strength is developing through infrastructure spending, innovation and research although continued key reliance on resource development and housing pose potential risks to growth.

Last 3 years



Source: *Globeinvestorgold*

6. The take away:

The combination of weak summer markets and droning political news in the media creates unsettling short term optics but the reality is that a critical momentum exists that will determine the direction of things. This momentum fundamentally re-affirms a continued moderate rate of growth and recovery which we should align our expectations to. In the meantime, prudent portfolio management actions should continue to be employed.



**THE MORE IT
CHANGES, THE MORE
IT'S THE SAME THING**

ALPHONSE KARR
PICTUREQUOTES.COM



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Source: Google Images

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