

## Market Review

January 9, 2018

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### Market Outlook

The rise in global equity markets reflects the acceleration in global economic growth in 2017. Continued improvement into 2018 looks sustainable based on economic data points and forward indicators.

In the United States, tax reform will boost corporate profits, encourage capital investments and support consumer spending. Following upward revisions, consensus earnings per share (EPS) for S&P 500 companies is forecast to rise 12% in 2018, the second consecutive year of double digit growth. For the TSX Composite, EPS is expected to grow 10.5% this year.

With tepid inflationary pressures, the removal of central bank accommodation should be measured and non-disruptive to the ongoing recovery. Arguably, stock markets already reflect to some extent the improving macroeconomic backdrop and stronger profit outlook. The prevailing overly bullish sentiment suggests stocks may consolidate, however, positive underlying economic fundamentals supports an overall constructive stance on equities.