

## Market Review

July 10, 2018

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### Market Outlook

Trade tensions are weighing on stock prices and represent a headwind for sustainable price gains. Nonetheless, both hard and soft data suggest continued strength in the U.S. economy. The housing market is improving with housing starts, home prices and household formation rising. The employment situation is healthy with June's report showing broad-based job gains across most industries, rising labour force participation and contained wage gains.

U.S. corporations are optimistic with NFIB Small Business Optimism index at near historical highs. Manufacturing and services survey data indicate continued strengthening economic activity, consistent with a solid rebound in Q2/18 GDP growth.

Second quarter corporate earnings reports start this week, with revenues and earnings expected to grow 8% and 20%, respectively, from a year ago, for the S&P 500 companies. Management commentary regarding the impact of trade tariffs on their respective businesses and overall sentiment will be closely monitored.

For now, our constructive view on equities remains unchanged, however, we will be vigilant for any signs the tariffs are derailing economic growth.