Market Review
July 12, 2017

Market Outlook

The global economy is expanding which augers well for corporate profit growth and is supportive of rising equity markets. While concerns of higher interest rates dominate headlines, expansionary monetary policies by central banks since the Great Recession has resulted in historically low interest rates globally. The path to interest rate normalization from an abnormally low level is inevitable and signals confidence from central bank authorities that economic growth in their respective jurisdictions is self-sustaining. Already underway, the pace of interest rate increases in the U.S. is expected to be measured and well-telecast, given tepid inflationary pressures and geopolitical uncertainty.

Sentiment, manufacturing and services indices reinforce an expanding global economy. The U.S. continues to post robust job growth, adding a cumulative 1.7 million full-time jobs so far in 2017, the best performance in seven years. In Canada, employment gains in June came in well above consensus, driving the unemployment rate down to 6.5%, its lowest level in the current cycle.

Q2/17 earnings season will provide insight and extent of follow-through from survey/sentiment data to hard corporate profits. Historically, S&P 500 revenue yearly growth is positively correlated to the U.S. ISM Manufacturing Index, which jumped to a three year high of 57.8 in June. Current consensus projections indicate Q2/17 earnings per share (EPS) growth of 7.7%, 11.4% for 2017 and 11.9% in 2018. In Canada, the pace of earnings growth will be influenced by energy prices, which have pulled back from levels at the beginning of the year, but remain above from a year ago. For the TSX Composite, 2017 consensus EPS are forecast to be up 22% in 2017 or 11% excluding Energy.

Economic data, leading indicators, forward looking surveys and the shape of the U.S. Treasury Yield Curve do not suggest a recession on the horizon. Thus, our constructive view on equities prevails.

GLOBEINVEST
CAPITAL MANAGEMENT INC.

20 Queen St. West, #3308
Toronto, ON M5H 3R3
www.globe-invest.com

Tel. (416) 591-7100
Toll free. 1 (800) 387-0784
Fax: (416) 591-7133
info@globe-invest.com