

## Market Review

June 15, 2017

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### Market Outlook

Global economic growth is improving, providing the catalyst for equity markets to grind higher notwithstanding political turmoil in the U.S. and Eurozone. The OECD composite leading indicators, designed to anticipate turning points in economic activity relative to trend six to nine months ahead, continue to point to stable growth momentum. The American consumer is in good shape as evidenced by a healthy job market, improving household net worth and high levels of consumer confidence/sentiment. Small business optimism is near cyclical highs, despite delays in implementing tax reforms in the U.S. The ISM Manufacturing and Services indices have moderated slightly from their-post election spikes, but both of them remain firmly in expansionary territory and above the levels that prevailed in 2016. Recent commentary from the Bank of Canada indicates the Canadian economic recovery is broadening and gathering momentum.

Following better than expected earnings growth in Q1/17 (up 14.5% from a year ago), corporate profits for the S&P 500 companies are forecast to be up 7% in Q2/17 and 11.4% for the year, the first year of double-digit growth since 2011. For the TSX Composite, 2017 consensus earnings are forecast to be up 22.5%, reflecting the recovery in crude oil prices from the low in February 2016.

Sustained corporate profit growth, economic data, indicators and surveys as well as the U.S. Treasury Yield Curve support our constructive view on equities.