

## Market Review

October 11, 2017

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### Market Outlook

The synchronized upturn in the world economy is gaining momentum. The latest business surveys indicate industrial and services activity in the United State, Eurozone, Japan and China remain strong.

After a surprisingly strong first half, recent trade data suggest the Canadian economy will slow to a more sustainable pace. The unemployment rate in September held steady at 6.2%, matching the low of October 2008.

Hurricanes Harvey and Irma will distort U.S. economic data in the latter half of 2017. However, activity should bounce back fairly quickly with reconstruction efforts providing a stimulus to the economy.

Buoyant equity markets reflect the upturn in global activity against a back drop of generally accommodative monetary policy. Interest rates will inevitably trend higher, but with wage and price inflation remaining subdued, the pace is expected to be gradual.

The macroeconomic backdrop remains supportive for earnings growth. The weaker U.S. dollar will also be a tailwind for U.S. multinationals. Q3/17 earnings will be the fifth consecutive quarter of positive earnings growth for the S&P 500 companies. Profit growth is expected to remain positive for the balance of this year and into 2018, excluding the impact of any potential tax cuts.