

Market Review

September 12, 2017

Market Outlook

After slowing last year, global economic growth, while still far from robust, has strengthened this year.

Domestically, the Canadian economy continues to surprise on the upside with GDP growth expanding 4.5% annualized in Q2/17. The unemployment rate in August declined to 6.2%, the lowest level since October 2006.

U.S. economic growth in the second quarter was revised upwards to 3.0%, the highest quarterly rate in two years, supported by stronger household spending and gains in business investment. While growth expectations in the U.S. has moderated since the start of the year, real GDP should surpass last year's 1.6%. The job situation remains healthy, with the August unemployment rate at 4.4%.

Real GDP in the Eurozone has accelerated to 2.6%, crossing the 2% threshold for the first time since Q1/11. The unemployment rate at 9.1% has reached an eight year low.

Stronger than expected first half GDP growth in China suggests the country is on track to meet its target growth rate of 6.5% this year.

Growth suggested in soft data is being supported by hard data. With economic expansions firming and becoming more self-sustaining, many central banks will likely slowly remove policy accommodation over time. Despite faster economic growth, inflation has moved lower in many countries. The combination of subpar growth and tame inflation suggests central bankers will tread cautiously in their respective policy decisions.