

Big Picture

By Andrew Trimble

Busy start to Q2

The new quarter started with a wide range of news and events for market watchers to digest. In the U.S., an upbeat read on the job market was released Wednesday as a better-than-expected 263,000 private sector jobs were added in March according to payroll firm Automatic Data Processing (ADP). The strong print reinforces post-presidential election optimism about an expanding economy. Fed minutes from its March meeting were also released Wednesday without any clues as to the pace of interest rate hikes but with plans to shrink its balance sheet. Up until now, the Fed has been mum as to how it will handle the sizable holdings (\$4.5 trillion in Treasury and mortgage securities) it acquired through asset purchase programs during the financial crisis and Great Recession. The Fed's next policy meeting is May 2-3. Also in the U.S., two ISM indexes – manufacturing and non-manufacturing – fell in March but both continued to signal healthy expansion despite the one-month pullbacks. Turning to Europe, the ECB released minutes of its most recent policy meeting in which bank officials made the case to maintain current stimulus measures until it becomes clear inflation will stay at or above the bank's 2% target. Last Friday, Canadian GDP for January was up a much larger than anticipated 0.6%. With the exception of last October, GDP has risen every month since June 2016. On the year, monthly GDP was up 2.3% after rising 2.1% in December. All of which may make the Bank of Canada's April 12 update more interesting as some are wondering if Canadian interest rates will be raised in the near future. Looking ahead, U.S. and Canadian employment data is released today while China's President Xi Jinping continues to meet with President Trump.

Markets

Stocks struggle to find traction

Stocks struggled to find traction as most North American benchmarks ended the period close to where they started the week. For the four days covered in this report, the Dow fell 1 pt. to finish at 20,662, the S&P 500 lost 5 pts. to close at 2,357 and the Nasdaq gave back 33 pts. to settle at 5,878. The TSX was the winner moving ahead 150 pts. to end at 15,698.



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Equities/Strategy

Shifting to overweight international equities

Equities: Having signaled a bullish view on international equities in recent weeks, the GPAG team is formally overweighting international equities on the back of a positive medium-term outlook on oil, improving inflationary environment, gradually increasing rates and resilient corporate earnings recovery. Our bullish view is not predicated on the delivery of any portion of President Trump's promised pro-growth agenda including tax cuts, deregulation, cash repatriation or infrastructure stimulus – which, if realized, would provide a further boost to our bullish views.

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