

2018 2nd Quarter - Economic and Market Commentary

April 17, 2018

I hope you are well and are enjoying the warmer weather. With the second quarter of 2018 having now come to a close, I want to provide you with a brief update on some of the main themes that emerged from the investment markets over the period.

Following a particularly volatile start in the first quarter of 2018, many global equity markets settled down somewhat and delivered steadier returns in the second quarter. The MSCI World Index finished the period with a gain of 1.9% in U.S. dollar terms, while the S&P 500 Index, a broad measure of U.S. stocks, rose about 3.4%. Overseas results varied, with gains for equity indexes in England, France and Japan offset by losses in Germany and several Asian markets. Emerging markets exhibited the largest drawdowns, with the MSCI Emerging Markets Index losing 7.9% for the three months in U.S. dollars.

In Canada, the S&P/TSX Composite Index performed well, registering a broad-based advance of 6.8% for the quarter. Stronger oil prices buoyed energy shares, and the health care, information technology and financial sectors all added to performance. The Canadian benchmark has gained nearly 2% for the year-to-date.

The Canadian dollar, meanwhile, declined in value relative to the U.S. dollar over the quarter, enhancing returns for Canadian investors with assets priced in U.S. currency. The MSCI World Index, for example, returned 4.1% for the quarter when expressed in Canadian dollars, the S&P 500's gain was 5.6% and the loss for the MSCI Emerging Markets Index was reduced to 5.9%.

The U.S. Federal Reserve raised its target interest rate range by a quarter of a percentage point for the second time this year at its June meeting, pointing to the continued strength of the labour market and solid economic activity. Economic data for Canada were also strong, but the Bank of Canada opted to hold rates steady through the second quarter, indicating that further increases would likely come later in the year. Ten-year government bond yields in the U.S. and Canada reached a peak for the second quarter in mid-May before declining and finishing the period slightly up. The FTSE TMX Universe Bond Index, which measures Canadian government and corporate bond returns, gained 0.5% for the quarter.

Equity prices in many industries and regions continue to be supported by healthy corporate earnings, relatively low interest rates and strong economic signals. However, challenges in the form of gradually rising short-term rates and inflation, as well as rising global trade tensions, are causing uncertainty in some areas of the market. In this type of environment, the value of strong active portfolio management becomes especially important, as professional portfolio managers have the knowledge and experience to navigate through challenging market conditions.

Your investments continue to be managed by well experienced and highly qualified portfolio managers and your assets have been allocated according to a plan that takes your financial goals and risk tolerance into consideration.

As always, if you have any concerns about your accounts or if there have been any changes to your personal circumstances you feel I need to be aware of, please do not hesitate to contact me at the office and I will be more than happy to discuss.

Have a very safe and happy summer.

Sincerely,



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The information in this letter is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, National Post, Bloomberg, Yahoo Canada Finance, and Trading Economics. Index information was provided by TD Newcrest and PC Bond, and all quoted equity index returns are on a total return basis (including dividends). This material is provided for general information and is subject to change without notice. Although every effort has been made to compile this material from reliable sources; no warranty can be made as to its accuracy or completeness, and we assume no responsibility for any reliance upon it. Before acting on any of the above, please contact me for individual financial advice based on your personal circumstances.