

WEEKLY MARKET UPDATE #834

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- Canadian and international news as well as business news and articles. Helps you keep up to date with events during the day.



Well, we're starting to get an idea of just how our new Prime Minister and government is going to perform over the next 4 years and, sadly, it may not be pretty. Our

new Natural Resources minister is 'hopeful' that he and the energy industry can find the 'sweet spot' between advancing environmental priorities and the economic concerns of the energy industry. So far more than 36,000 jobs have been lost in the oil industry and recently the US President has ended the Keystone XL Pipeline extension into the US. The Prime Minister yesterday made further comments to put an end to the Northern Gateway pipeline and the Alberta NDP is reviewing provincial royalty rates. Now, US WTI (West Texas Crude) currently trades in around the \$40 a bbl level while Canadian crude sells at about \$15 bbl due to the fact that the US is our only real buyer, so I really wonder where all these governments are going to get their pound of flesh without finally closing the Canadian oil industry, and one of Canada's largest sources of tax revenue, completely?

Mr. Trudeau, in his wisdom, has effectively blocked the Northern Gateway pipeline, ignoring its previous approval, by formalizing moratorium that would prevent crude oil tanker traffic along the coast of BC. That said, he has chosen not to ban tankers from other OPEC nations that bring 'conflict oil' from countries such as Saudi Arabia, Algeria etc. or in other words, our oil is not allowed to be shipped to better paying markets but we

can buy oil from them. Huh? And he's only been in power a week or two, so exciting times for us Canadians lie ahead, I suspect.

And speaking of oil, President Obama has now committed not only to giving back Iran all of its money and allowing it to sell oil, but he is now committed to buying Iranian oil at previous levels. Remember, he also banned the XL Pipeline from Canada that would have shipped 850,000 bbls day from their best trading partner, a most secure neighbor and all round good guy, Canada!

Obviously the very big news this week was the multiple terrorist attacks in Paris. The physical damage done was terrible with more than 120 people killed and hundreds injured, many critically, but the psychological damage, like 9/11 will be felt for years into the future. The fact that attacks took place in 5 or 6 different places simultaneously, some very large like the soccer stadium and other relatively small and minor, created pandemonium as police tried to figure out what was real and to try and attend the multiple scenes. In fact, one scene was at a very large rock concert where terrorists were able to stand on the stage and shoot hundreds and hundreds of rounds into the audience, actually lining people up to shoot them. I understand it was about 2 ½ hours before police took them on at which time two blew themselves up and the third died in a shootout. Police have since captured several others that were believed to be a part of the cell and killed a few more in affecting the captures. Interestingly, many are saying that had the French not had such restrictive gun laws, many of the shooters might have been confronted by members of the public and stopped much sooner. Something for us all to think about, I guess, as ISIS is not threatening attacks in New York and Washington, though we are now seeing bomb threats to airlines attempting to disrupt plane travel. This may be especially effective next weekend which is the US Thanksgiving weekend, the most highly travelled period in the US. I do find it sad that these youth become radicalized and feel they have no future and willingly die for a flawed ideology. Most of the terrorists were second generation Parisians or Belgians. I understand that in these countries the Muslim population is generally treated like second class citizens and in many cases can't find employment, housing or food, so find themselves isolated rather than feeling integrated into the country. If we bring the 25,000 Syrians to Canada that the Prime Minister wants, we have to make sure that they are made to feel a part of

the country with all of the opportunities that bring; otherwise we may have similar problems.

Japan's corporate profit margin is set to hit a record in fiscal 2015. The pretax profit margin of more than 1,500 listed Japanese companies are expected to reach 6.6% in the current fiscal year ending March, according to the forecasts compiled by the Nikkei, marking the best level on record and surpassing the previous peak of 6.5% set in 2007. Publicly-traded firms in Japan have projected a combined pretax profit of \$275bn for fiscal 2015, up 6.9% from the record set in 2014. Sustained weakness in the yen and crude oil has been providing a strong lift to Japanese corporate profits for some time. For the most recent quarter, the margin hit 7.1%, breaking above the 7% level for the first time ever.

U.K. inflation remains muted as German investor sentiment brightens. Inflation in the U.K. came in below zero for a second month in October, falling 0.1% compared to the same month in 2014, in line with expectations. Core inflation, however, remained resilient, accelerating to 1.1% from 1% in the previous month, indicating the recent headline deflation probably has more to do with lower energy prices than domestic economic weakness. Absent another sharp drop in raw materials prices, U.K. inflation could begin to edge higher in the coming months and quarters, as the impact of past falls in oil prices fades. Elsewhere, the German ZEW investor confidence index rose to 10.4 in November, from 1.9 in October, marking the first increase since March. Some economists are attributing the report's more upbeat tone to the hope of fresh stimulus action from the ECB in December, which has been exerting downward pressure on the euro, down 7% since mid-October to a seven-month low of \$1.0641 now.

Federal Reserve rate hike could alleviate fears of "bubbles". The potential for "bubbles", however defined, to emerge and cause harm to an economy during and following a prolonged period of ultra-low interest rates has been on the minds of pundits for some time. Some Fed officials have hinted at such worries as well, with Boston Fed President Eric Rosengren, in an interview in this week, citing rising exuberance in commercial real estate valuations and in leveraged lending volumes as possible signs of the risky "reach for yield" behavior. St. Louise Fed President James Bullard added that "you would like to not be feeding into the process of bubble formation with low rates. You would like to hedge your bets against that by edging rates up some, then that will take off some of the risk." Nevertheless, policymakers have expressed confidence that financial stability risks

are contained, while noting that there are targeted tools which can be utilized to intervene in select hotspots in markets, rather than resorting to using interest rates, which are a blunt tool for curbing financial excesses. Investors should prepare themselves for a Fed rate hike in December is the general interpretation of the tone and content in the minutes from the Fed's October meeting. The minutes revealed that "most participants" believed the conditions for raising rates, which would be the first such move in almost a decade, could well be met in December. In addition, officials cited a range of reasons to avoid too much dithering on rates, including the risk of creating further uncertainty in financial markets, the risk of allowing financial market excesses to build in a prolonged period of near-zero rates, and the risk of falling behind the policymaking curve.

Equity markets have been reacting positively to general market news. They have even reacted positively to the terrible news out of France, which is somewhat confusing in that I would have expected a negative reaction for at least a while. I suspect that we will continue to see markets move positively over the next few months and that next year will once again see the return to strength in the longer term bull market we are currently within.

Next weekend, beginning on Thursday, is US Thanksgiving, and yes of course, the return of Black Friday! Many Canadian companies are beginning to announce Black Friday specials to compete and keep Canadians from going to the US for shopping. So hopefully, we may all have some great shopping at the end of next week as shoppers will begin looking for Christmas presents and bargains. So get out there and join the fun!

Have a great weekend.



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P.P.S. Don't forget to ask us about a TAX FREE SAVINGS ACCOUNT – Everyone should have one!!!

Weekly Humour

A milkman gets an order for 45 pints of milk. Puzzled, he decides to ask the customer if this is a mistake.

When he knocks on the door, a woman comes out wearing just a bath towel, and she confirms that she wants 45 pints. "Milk baths are good for your skin," explains the woman.

"Oh, OK," replies the milkman. "Do you need it pasteurized then?"

"No," says the woman. "Up to my neck will be fine."

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What do you call a nun who just passed her bar exam?

A sister-in-law.

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Q: What did the dog say when it sat on sandpaper?

A: Ruff!

Equity Update: <http://dir.rbcinvestments.com/james.adlington/markets>

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