Wealth Management
Dominion Securities

RBC Dominion Securities Inc.

Global Insight Daily

January 11, 2019

Good morning all and Happy New Year,

Hopefully everyone had a happy holiday season with friends and family…2018 has come to an end, which is something we can all be grateful for, and 2019 has started off on the right foot. This week, investors have approached markets with a more positive attitude with piles of money flowing into stocks and other beaten up assets from 2018. Canadian stocks led the charge with a 3% gain, while US stocks fared well too, gaining just under 2%. European and Emerging Markets stocks gained a little over 1%. Oil prices rallied hard, gaining 8% after a tough 2018 and for Canadians, there has also been a marked improvement in the price of Western Canadian Select, which makes up most of what Alberta sells. The US dollar gained about 0.5%, despite the jump in oil prices.

Much of the market anxiety over the last few weeks has been a result of a growing expectation of a potential US recession in the next two years. Economists put the risk of a US recession at the ‘highest’ in more than six years amid volatile financial markets, a trade war with China and the federal-government shutdown. Analysts surveyed by Bloomberg over the past week see a median 25% chance of a slump in the next 12 months, up from 20 percent in the December survey, while 56% of economists surveyed anticipate a recession starting in 2020. Despite this, the median projection for 2019 economic growth is still at 2.5% following 2.9% in 2018 as the boost from fiscal stimulus fades. Growth is still expected to be buoyed by a strong jobs market, rising wages and some lingering effects from tax cuts. If the expansion that began in 2009 lasts until July, it would mark 10 years and become the country's longest on record. While things could change, as it stands right now I still think the odds of a recession in the US are slim and I would categorize the slowdown in economic growth as a 'normalization' of growth rates to more sustainable, and still very high, growth rates. As the Fed Chair, Jerome Powell said this week: "Recessions are most often caused by two things: high inflation that forces the Fed to hit the brakes, and bubbles in assets. We don't see the two most basic recent causes of recession."

One of the best metrics for getting a glimpse into the economic outlook is purchasing surveys and the US surveys (which are broken down into manufacturing and services sectors) showed that the growth outlook has slowed markedly from a month ago, though it remains very strong. Much was made about the fact that the actual survey results were worse than expected, but on an absolute basis they remain very strong. At this stage of the market we are seeing a continual regurgitation of 'me-too' opinions that, indeed the economic outlook is slowing and it's being reacted to as if it's new data that the market must re-price itself for when in fact it's usually just a repetition of similar opinions. The World Bank, for example, posted an update of their global economic outlook this week and lowered their growth expectations. But because they only update their outlook every 6 months this is just them catching up to what we already know and the market is already priced for. This is one of the ways that market sentiment often builds on itself for a period of time before rationality sets in.

One of the catalysts for the extreme volatility at the very end of December was the decision by the Fed to raise interest rates, accompanied by a statement of confidence about the US economic outlook. The market's negative reaction was somewhat perplexing to me since, at the end of the day, a strong economic outlook is good, right? The naysayers (Trump among them), however, are suggesting that the Fed runs the risk of going too far and hiking rates too many times which may increase the odds of a recession. I do think there is some merit to this argument and it is time for the Fed to take a pause and see how the rate hikes of the past few months play out in the economy (this generally takes 6-12 months). The Federal Reserve released the minutes from its policy meeting on December 18 and 19 and the minutes signaled that the Fed is acutely aware of the delicate balance of 'removing the punch bowl' without spoiling the party too much. The minutes showed they are likely to hold rates steady for at least a few months while they assess the stability of the US economy given the recent financial market volatility: "A few participants, however, favored no change in the target range at this meeting, judging that the absence of signs of upward inflation pressure afforded the Committee some latitude to wait and see how the data would develop amid the recent rise in financial market volatility and increased uncertainty about the global economic growth outlook." The Bank of Canada has already taken the wait and see approach the Fed is now embarking on and this week's snoozer of a BOC meeting was further confirmation of that. There was no change to interest rates, but the BOC lowered their GDP forecast to catch up with the rest of the economic forecasts, citing lower oil prices, a housing slowdown, trade uncertainty and a notch down in the global economic outlook. It's the same old, same old!

What about China, you may ask? According to a Reuters article, China will set a 6% to 6.5% GDP growth target for 2019, compared to last year's growth target of 6.5% as Beijing gears up to cope with higher US tariffs and weakening domestic demand. GDP data later this month is expected to show the Chinese economy grew around 6.6% in 2018, which would mark the 'weakest' since 1990 and analysts are forecasting a further loss of momentum this year before policy support steps begin to kick in. As the world's second largest economy 'slows', China's top leaders are closely watching employment levels as factories could begin to be forced to shed workers amid a continuation of the trade war with the United States despite a more resilient services sector than previous economic slowdowns. But really…should we be getting pessimistic about 6 - 6.5% growth?

On the trade front, there were several days of meetings from US and Chinese officials this week and although little info was released the market seemed optimistic based on the fact the talks went on longer than originally scheduled. According to a Bloomberg article, people familiar with internal White House deliberations say President Trump wants the US to come to a trade agreement with China in order to boost financial markets. Trade officials from the US and China gathered in Beijing on Monday to resume face-to-face trade negotiations. On Tuesday, President Trump tweeted, "Talks with China are going very well." The meeting was initially scheduled to last two days, but was extended into Wednesday. Markets took that as a good sign and reacted positively. The ceasefire lasts until March 1, at which time the US is set to increase tariffs on $200 billion in Chinese goods unless the two countries come to an agreement.

Have a great weekend,

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Daily

Global Insight

Wealth Management

Friday, January 11, 2019

Good morning

U.S. equity markets are mainly flat this morning following yesterday afternoon's move higher resulting from Federal Reserve speakers that continue to reassure investors that they are in tune with the markets and will not raise rates until 'the market tells them to'. There weren't any major headlines overnight and no real macro news to trade on, but broadly speaking most Asian markets were higher with the Nikkei closing up +0.97% and the Hang Seng up 0.55%, while European equities have sold off slightly with both the EuroStoxx 50 and the FTSE 100 down 0.26%. U.S. Treasury yields are lower across the curve with the 2-year Treasury yield down ~3.5bps, the 10-year down ~3.2 bps and the long bond down ~2.3bps at the time of this writing. In Commodities precious metals are up ~.50% while copper is bid up ~0.75%; crude oil continues to rally with WTI up 0.82% to $53.02 a barrel and Brent Crude up 0.32% to $61.88.

Today we take note of the following:

According to a Reuters article, China will set a 6% to 6.5% GDP growth target for 2019, compared to last year's growth target of 6.5% as Beijing gears up to cope with higher U.S. tariffs and weakening domestic demand. GDP data expected later this month is expected to show the Chinese economy grew around 6.6% in 2018, which would mark the weakest since 1990 and analysts are forecasting a further loss of momentum this year before policy support steps begin to kick in. As the world's second largest economy continues to lose steam, China's top leaders are closely watching employment levels as factories could begin to be forced to shed workers amid a continuation of the trade war with the United States despite a more resilient services sector than previous economic slowdowns.

Chinese leaders have turned more pro-growth since the December meeting, softening a drive to rein in financial and debt risks, but they have ruled out "flood-like" stimulus. The central bank is likely to pump out more cash by further lowering banks' reserve requirements, following a broad-based cut this month, while trying to funnel more credit to small and private firms - vital for growth and jobs, policy sources said. However, policymakers remain reluctant to cut benchmark interest rates despite easing pressure on the yuan, fearing any moves could spur capital outflows as China's short-term bond yields have fallen below those of the United States. The government is expected to step up fiscal stimulus this year with steeper tax cuts to help corporates and an increase in spending on infrastructure projects, the sources said.

U.S. recession risk hits six-year high amid trade war and government shutdown. Economists put the risk of a U.S. recession at the highest in more than six years amid mounting dangers from financial markets, a trade war with China and the federal-government shutdown. Analysts surveyed by Bloomberg over the past week see a median 25% chance of a slump in the next 12 months, up from 20 percent in the December survey, while 56% of economists surveyed anticipate a recession starting in 2020. The median projection for 2019 economic growth edged down to 2.5 percent following 2.9 percent in 2018 as the boost from fiscal stimulus fades. Growth is still expected to be buoyed by a strong jobs market, rising wages and some lingering effects of tax cuts. If the expansion that began in 2009 lasts until July, it would mark 10 years and become the country's longest on record.

All values in CAD dollars unless otherwise noted.
Priced as of 7:27 a.m. on January 11, 2019 (unless otherwise stated).

For important disclosures please see pages 9-10.

Markets today

Equities

Asia is higher overnight while Europe is flat at midday. U.S. inflation numbers will be released at 8:30 ET.. Approximately 800,000 paychecks are on hold for federal employees as the partial government shutdown entered its 21st day. WTI is easing after posting nine consecutive sessions of gains. S&P futures are down 5 points (-0.2%) ahead of the open.

Fixed income

The probability of a U.S. recession is rising, according to surveyed analysts who see a median 25% chance (up 10% since November) of a downturn in the next 12 months; this puts this measure of recession sentiment at its highest level in 6 years. In addition to the atrocious December experienced by risk assets, other headwinds have piled on to put a cloud over what could otherwise become the longest expansion in U.S. history this summer.

Market Pulse

Updated as of 1/11/19 7:51 AM

Equity New	Last	% Chg
Dow	23,935	-0.1%
S&P 500	2,589	-0.2%
Nasdaq	6,610	-0.2%

Overseas	Last	% Chg
FTSE 100 (UK)	6,927	-0.2%
DAX (Germany)	10,872	-0.5%
Euro Stoxx 50	3,068	-0.3%
Hang Seng	26,667	0.5%
Nikkei 225	20,360	1.0%
Shanghai	2,554	0.7%

Commodities	Last	% Chg
WTI Crude	$52.74	0.3%
Gold ($/oz)	$1,294	0.5%
Silver ($/oz)	$16	0.9%
Copper ($/ton)	$5,908	-0.5%
Natural Gas($/Mmbtu)	$3.05	2.6%

Currencies	Last	% Chg
CADUSD	$0.76	0.3%
EURUSD	$1.15	0.3%
USDJPY	¥108.30	-0.1%

Fixed Income	Yield	Chg (bps)
10-yr Treasury	2.71%	-2.9
10-Yr Canadian	1.97%	-2.2
Germany 10 Yr Yield	0.24%	-1.2
Spain 10 Yr Yield	1.43%	-1.7
France 10 Yr Yield	0.66%	-1.0

Advancers and Decliners

Updated as of 1/11/19 7:51 AM

S&P/TSX Top Movers

Advancers		Last	% Chg
CANOPY GROWTH CORP	$	49.82	11.96%
CREW ENERGY INC	$	0.96	4.35%
PASON SYSTEMS INC	$	19.98	4.33%
BROOKFIELD BUSINESS PT-UNIT	$	46.53	3.84%
PRAIRIESKY ROYALTY LTD	$	18.85	3.80%

Decliners		Last	% Chg
NEW GOLD INC	$	1.50	-6.83%
PRETIUM RESOURCES INC	$	9.63	-6.78%
ELDORADO GOLD CORP	$	4.02	-5.85%
SEMAFO INC	$	2.75	-5.50%
CENTERRA GOLD INC	$	5.66	-4.87%

S&P 500 Top Movers

Advancers		Last (USD)	% Chg
CONSTELLATION BRANDS INC-A	$	159.93	5.96%
GENERAL ELECTRIC CO	$	8.94	5.18%
INTERNATIONAL PAPER CO	$	44.81	4.92%
NEWELL BRANDS INC	$	20.55	4.31%
ACUITY BRANDS INC	$	122.05	4.19%

Decliners		Last (USD)	% Chg
MACY'S INC	$	26.11	-17.69%
KOHLS CORP	$	66.54	-4.81%
L BRANDS INC	$	26.99	-4.39%
AMERICAN AIRLINES GROUP INC	$	32.04	-4.13%
NORDSTROM INC	$	47.30	-4.04%

Source: Bloomberg

Strategy and economics

Key developments

Key U.S. Economic Data Releases

Event	Period	Survey	Actual	Prior
Jobless Claims	Jan 5	226k	-	231k

Chart: Inflation in the pipeline?

Source: RBC WM, Bloomberg

Commentary

"Recessions are most often caused by two things," Powell says: high inflation that forces the Fed to hit the brakes, and bubbles in assets. ``We don't see the two most basic recent causes of recession." Fed Chair Powell (01/09/2019)

Well, today we get the latest update on the inflation front, but there shouldn't be anything to spook the Fed.

Headline CPI should fall both on a monthly and annual basis as gas prices were down -11%.

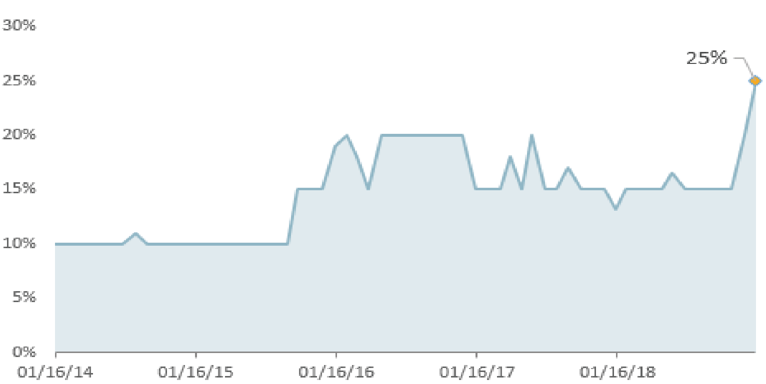
But as always core inflation will be the one to watch. RBC CM doesn't see risks of inflation this year due to lagged effects from a strong dollar, and they actually forecast inflation below the Fed's 2% target for the duration of 2019, which will only raise the bar for further rate hikes.

However, one thing we're watching is the NY Fed's Underlying inflation gauge, which shows that based on price and market data – inflationary pressure might remain in the system.

Prior Session Highlights & Analysis

Event	Period	Survey	Actual	Prior
Jobless Claims	Jan 5	226k	216k	231k

Bloomberg Economist Survey of Recession Probability



Source: RBC Wealth Management, Bloomberg

Our Thoughts

Recession odds rise, though jobless claims fall

There are a number of recession indicators one can watch, and as you can see on this page, we are watching a number of them.

However, all that really matters is the labor market, with the **weekly jobless claims** one of the best early indicators, and there simply aren't any signs of stress yet. The 4-week moving average has been trending higher since the September lows, but nothing that should raise any eyebrows…yet.

Elsewhere, the Bloomberg survey of economists was released this morning, showing **recession odds of 25%**, while economists now expect two rate hikes this year, compared to four previously. We maintain our call for zero rate hikes in 2019.

Technical corner

Bob Dickey: A small gusher.

The higher volatility has not been confined to just the stock market, as other areas such as oil have also been trading with a higher-than-average amount of movement. Crude oil fell over 40% during Q4 2018 and has bounced back 20% from its recent low of $42. The stock market may be moving in the same direction as oil over the near term, but we believe this is not a long-term relationship, as the two themes can also trade in widely varying trends over time. Coincidentally or not, oil and the S&P 500 are up to resistance areas that could be difficult to get through or possibly be a short-term topping area. For oil, it's the $55 area where we believe it has the greatest degree of resistance and a break through this area would be meaningful, but we think that it will instead stall out here and retrace about half of the recent rally in the weeks ahead. This may have some significance for stocks in general over the short term, and we see both stocks and oil as being early in a bottoming process that will likely include a longer bottoming period and range that could last several months.

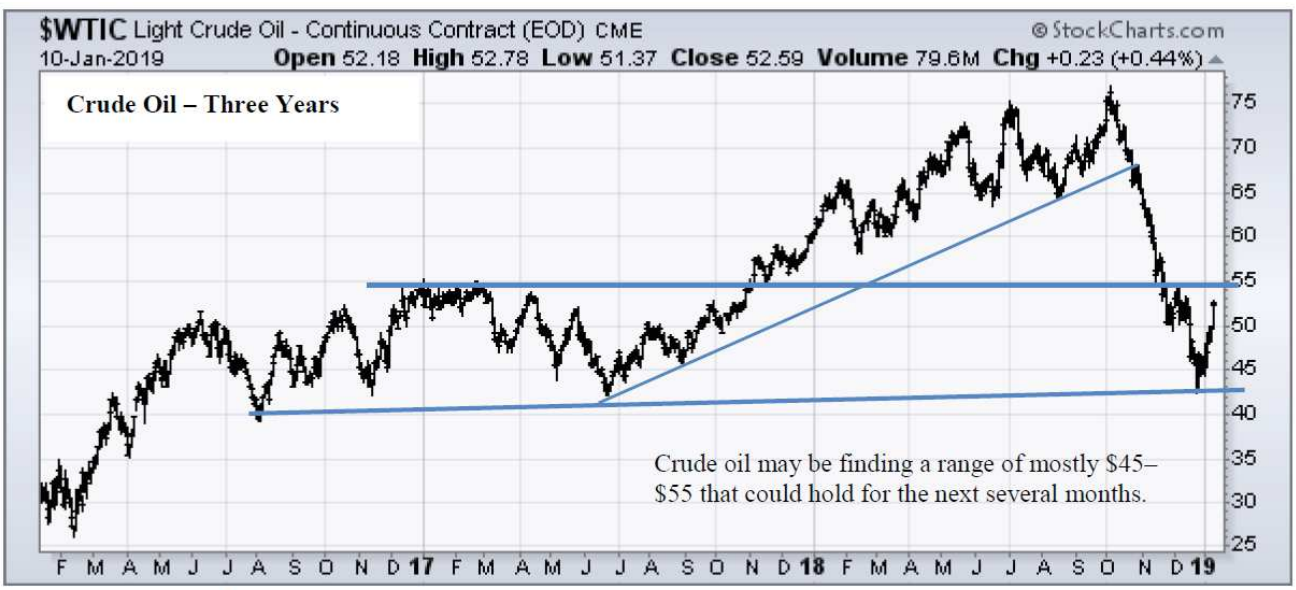


Chart courtesy StockCharts.com and RBC Wealth Management

Market snapshot

Calendar of events

Date	Time		Event		Survey	Actual	Prior	Revised
01/07/2019	10:00	US	Factory orders/durables data postponed by government shutdown					
01/07/2019	10:00	US	ISM Non-Manufacturing Index	Dec	59	--	60.7	--
01/08/2019	6:00	US	NFIB Small Business Optimism	Dec	103	--	104.8	104.8
01/08/2019	8:30	US	Trade Balance	Nov	-$54.0b	--	-$55.5b	--
01/08/2019	10:00	US	JOLTS Job Openings	Nov	--	--	7079	--
01/08/2019	15:00	US	Consumer Credit	Nov	$16.000b	--	$25.384b	--
01/08/2019	11-Jan	US	Advance Goods Trade Balance	Nov	-$76.0b	--	-$77.2b	-$77.0b
01/08/2019	11-Jan	US	Wholesale Inventories MoM	Nov P	0.50%	--	0.80%	--
01/08/2019	11-Jan	US	Retail Inventories MoM	Nov	--	--	0.90%	0.80%
01/08/2019	11-Jan	US	New Home Sales	Nov	568k	--	544k	--
01/08/2019	11-Jan	US	New Home Sales MoM	Nov	4.50%	--	-8.90%	--
01/08/2019	11-Jan	US	Construction Spending MoM	Nov	0.20%	--	-0.10%	--
01/08/2019	11-Jan	US	Factory Orders	Nov	0.30%	--	-2.10%	--
01/08/2019	11-Jan	US	Factory Orders Ex Trans	Nov F	--	--	0.30%	--
01/08/2019	11-Jan	US	Durable Goods Orders	Nov F	--	--	0.80%	--
01/08/2019	11-Jan	US	Durables Ex Transportation	Nov F	--	--	-0.30%	--
01/08/2019	11-Jan	US	Cap Goods Orders Nondef Ex Air	Nov F	--	--	-0.60%	--
01/08/2019	11-Jan	US	Cap Goods Ship Nondef Ex Air	Nov F	--	--	-0.10%	--
01/09/2019	7:00	US	MBA Mortgage Applications	04-Jan	--	--	-8.50%	--
01/09/2019	14:00	US	FOMC Meeting Minutes	19-Dec	--	--	--	--
01/10/2019	8:30	US	Initial Jobless Claims	05-Jan	225k	--	231k	--
01/10/2019	8:30	US	Continuing Claims	29-Dec	1700k	--	1740k	--
01/10/2019	8:45	US	Bloomberg Jan. United States Economic Survey					
01/10/2019	9:45	US	Bloomberg Consumer Comfort	06-Jan	--	--	59.6	--
01/10/2019	10:00	US	Wholesale Inventories MoM	Nov F	0.50%	--	--	--
01/10/2019	10:00	US	Wholesale Trade Sales MoM	Nov	--	--	-0.20%	--
01/11/2019	8:30	US	CPI MoM	Dec	-0.10%	--	0.00%	--
01/11/2019	8:30	US	CPI Ex Food and Energy MoM	Dec	0.20%	--	0.20%	--
01/11/2019	8:30	US	CPI YoY	Dec	1.90%	--	2.20%	--
01/11/2019	8:30	US	CPI Ex Food and Energy YoY	Dec	2.20%	--	2.20%	--
01/11/2019	8:30	US	CPI Core Index SA	Dec	--	--	259.481	--
01/11/2019	8:30	US	CPI Index NSA	Dec	251.08	--	252.038	--

Source: Bloomberg

Market snapshot

Number crunching

NUMBER CRUNCHING

Equity Indices	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2017	2016	2015
S&P/TSX Composite Index	14,903.49	98.76	0.7%	4.1%	4.1%	-8.5%	6.0%	17.5%	-11.1%
S&P/TSX Composite Index TR	51,229.69	339.76	0.7%	4.1%	4.1%	-5.6%	9.1%	21.1%	-8.3%
S&P/TSX 60 Index	891.72	5.81	0.7%	3.8%	3.8%	-7.8%	6.6%	17.7%	-10.6%
S&P/TSX Equity Index	15,386.75	101.00	0.7%	4.1%	4.1%	-8.8%	6.1%	17.8%	-11.3%
S&P/TSX Income Trust Index	194.29	1.59	0.8%	3.7%	3.7%	-1.7%	4.5%	8.9%	-5.2%
S&P/TSX Venture Composite Index	596.93	-1.19	-0.2%	7.1%	7.1%	-32.9%	11.6%	45.0%	-24.4%
S&P/TSX Small Cap Index	554.65	0.55	0.1%	5.1%	5.1%	-16.5%	0.3%	35.2%	-15.8%
Dow Jones Industrial Average	24,001.92	122.80	0.5%	2.9%	2.9%	-6.1%	25.1%	13.4%	-2.2%
S&P 100 Index	1,149.47	2.81	0.2%	3.2%	3.2%	-6.2%	19.3%	8.8%	0.3%
S&P 500 Index	2,596.64	11.68	0.5%	3.6%	3.6%	-6.2%	19.4%	9.5%	-0.7%
S&P 400 Midcap Index	1,761.40	13.97	0.8%	5.9%	5.9%	-10.2%	14.5%	18.7%	-3.7%
S&P 600 Smallcap Index	899.43	2.74	0.3%	6.4%	6.4%	-6.9%	11.7%	24.7%	-3.4%
NASDAQ Composite Index	6,986.07	28.99	0.4%	5.3%	5.3%	-3.1%	28.2%	7.5%	5.7%
Euro Stoxx 50	2,827.26	-3.91	-0.1%	2.4%	2.4%	-12.6%	6.5%	-2.9%	3.2%
FTSE 100	6,930.78	-12.09	-0.2%	3.0%	3.0%	-10.7%	7.6%	14.4%	-4.9%
CAC 40	4,778.64	-27.02	-0.6%	1.0%	1.0%	-12.9%	9.3%	4.9%	8.5%
DAX Index	10,870.07	-51.52	-0.5%	2.9%	2.9%	-17.7%	12.5%	6.9%	9.6%
S&P/ASX 200	5,774.58	-20.69	-0.4%	2.3%	2.3%	-4.8%	7.0%	7.0%	-2.1%
Nikkei 225	20,359.70	195.90	1.0%	1.7%	1.7%	-14.1%	19.1%	0.4%	9.1%
Shanghai Stock Exchange Composite	2,553.83	18.73	0.7%	2.4%	2.4%	-25.4%	6.6%	-12.3%	9.4%
Hang Seng Index	26,667.27	145.84	0.5%	3.2%	3.2%	-14.3%	36.0%	0.4%	-7.2%
MSCI World	1,957.69	6.71	0.3%	3.9%	3.9%	-9.9%	20.1%	5.3%	-2.7%
MSCI World TR	8,080.47	28.81	0.4%	4.0%	4.0%	-7.6%	22.4%	8.2%	-0.3%
MSCI EAFE	1,787.05	1.64	0.1%	3.9%	3.9%	-15.4%	21.8%	-1.9%	-3.3%
MSCI Emerging Market	998.67	4.27	0.4%	3.4%	3.4%	-16.6%	34.4%	8.6%	-17.0%

Equity Indices (in CAD$)*	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2017	2016	2015
DJIA in Cdn$	31,682.53	-86.41	-0.3%	-0.4%	-0.4%	-1.0%	16.5%	10.3%	16.4%
S&P 100 Index	1,517.30	-4.14	-0.3%	-0.1%	-0.1%	-1.1%	11.2%	5.8%	19.5%
S&P 500 Index	3,427.56	-9.35	-0.3%	0.3%	0.3%	-1.1%	11.2%	6.5%	18.2%
S&P 400 Midcap Index	2,325.05	-6.34	-0.3%	2.5%	2.5%	-5.3%	6.6%	15.5%	14.6%
S&P 600 Smallcap Index	1,187.25	-3.24	-0.3%	3.0%	3.0%	-1.8%	4.1%	21.3%	15.1%
NASDAQ in Cdn$	9,221.61	-25.15	-0.3%	1.9%	1.9%	2.1%	19.4%	4.6%	25.9%
Euro Stoxx 50	4,304.56	-4.62	-0.1%	-0.3%	-0.3%	-11.6%	13.1%	-8.3%	10.3%
FTSE 100	11,726.19	12.18	0.1%	0.1%	0.1%	-10.9%	9.8%	-6.7%	7.0%
CAC 40 Index	7,275.57	-38.88	-0.5%	-1.6%	-1.6%	-12.0%	16.0%	-1.0%	16.0%
DAX Index	16,549.90	-73.31	-0.4%	0.2%	0.2%	-16.8%	19.5%	0.0%	17.7%
S&P/ASX 200	5,511.26	-0.04	0.0%	1.5%	1.5%	-8.1%	7.9%	3.0%	4.0%
Nikkei 225	2.48	0.02	0.8%	-0.3%	-0.3%	-7.0%	14.9%	0.6%	29.3%
Shanghai Stock Exchange Composite	500.04	5.70	1.2%	1.0%	1.0%	-24.2%	5.9%	-20.3%	24.6%
Hang Seng Index	4,489.43	12.09	0.3%	-0.2%	-0.2%	-9.8%	25.7%	-2.4%	10.6%
MSCI World	2,584.15	-7.04	-0.3%	0.6%	0.6%	-5.0%	11.9%	2.4%	15.8%
MSCI World TR	10,666.22	-29.09	-0.3%	0.6%	0.6%	-2.6%	14.6%	5.2%	18.7%
MSCI EAFE	2,358.90	-6.44	-0.3%	0.6%	0.6%	-10.8%	13.4%	-4.6%	15.1%
MSCI Emerging Market	1,318.25	-3.59	-0.3%	0.1%	0.1%	-12.0%	25.1%	5.6%	-1.1%

S&P/TSX Sector Performance	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2017	2016	2015
S&P/TSX Financials	2,558.51	17.17	0.7%	3.4%	3.4%	-10.3%	9.4%	19.3%	-5.5%
S&P/TSX Energy	2,002.97	17.71	0.9%	8.2%	8.2%	-16.4%	-10.1%	31.2%	-25.7%
S&P/TSX Materials	1,997.65	-7.67	-0.4%	-1.0%	-1.0%	-13.0%	6.3%	39.0%	-22.8%
S&P/TSX Industrials	3,003.24	24.77	0.8%	4.1%	4.1%	0.8%	17.9%	20.7%	-12.5%
S&P/TSX Consumer Discretionary	2,047.95	8.27	0.4%	5.3%	5.3%	-12.7%	20.4%	8.2%	-3.5%
S&P/TSX Telecom Services	1,475.91	13.85	0.9%	2.2%	2.2%	-0.5%	9.9%	9.9%	-1.0%
S&P/TSX Information Technology	313.60	1.70	0.5%	3.7%	3.7%	15.6%	16.2%	4.4%	14.8%
S&P/TSX Consumer Staples	4,891.82	9.52	0.2%	3.0%	3.0%	4.7%	6.4%	6.1%	11.0%
S&P/TSX Utilities	1,934.80	19.75	1.0%	3.1%	3.1%	-7.3%	6.2%	12.7%	-7.8%
S&P/TSX Healthcare	481.51	19.04	4.1%	19.3%	19.3%	-11.4%	32.7%	-78.6%	-15.8%

S&P 500 Sector Performance	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2017	2016	2015
Financials	406.03	0.48	0.1%	2.6%	2.6%	-15.6%	20.1%	20.1%	-3.5%
Health Care	1,013.96	2.45	0.2%	1.3%	1.3%	1.7%	20.0%	-4.4%	5.2%
Technology	1,117.07	5.15	0.5%	2.6%	2.6%	-3.4%	36.9%	12.0%	4.3%
Industrials	572.00	8.14	1.4%	5.5%	5.5%	-14.8%	18.5%	16.1%	-4.7%
Consumer Discretionary	828.59	-1.94	-0.2%	6.0%	6.0%	0.4%	21.2%	4.3%	8.4%
Energy	461.17	1.50	0.3%	8.7%	8.7%	-18.6%	-3.8%	23.7%	-23.6%
Consumer Staples	528.66	3.20	0.6%	1.3%	1.3%	-9.6%	10.5%	2.6%	3.8%
Telecom	147.27	0.29	0.2%	6.1%	6.1%	-7.9%	-6.0%	17.8%	-1.7%
Materials	328.76	2.84	0.9%	3.8%	3.8%	-17.1%	21.4%	14.1%	-10.4%
Utilities	271.44	3.76	1.4%	1.1%	1.1%	5.8%	8.3%	12.2%	-8.4%

Source: Bloomberg. Returns based on simply price appreciation unless otherwise noted. Equity indices based in local currency unless otherwise noted. MSCI indices based in USD. Equity indices in Canadian dollars are converted using Bloomberg exchange rates.

All values are as at close of previous trading day.

Market snapshot

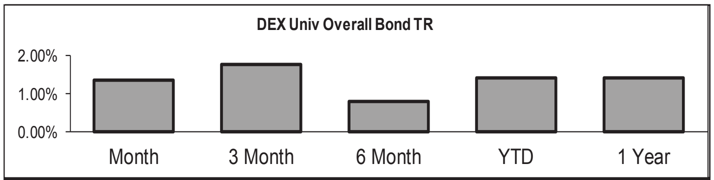
Number crunching

Commodities (USD$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2017	2016	2015
Crude Oil (WTI per barrel)	$52.84	0.25	0.5%	16.4%	16.4%	-11.5%	6.2%	20.5%	-30.5%
Crude Oil (Brent per barrel)	$61.84	0.16	0.3%	14.9%	14.9%	-4.2%	14.2%	23.4%	-35.0%
Natural Gas (per million btu)	$3.04	0.07	2.4%	3.4%	3.4%	-0.6%	-20.8%	30.0%	-19.1%
3-2-1 Crack Spread	$13.95	-0.21	-1.5%	-4.2%	-4.2%	-16.5%	8.6%	20.8%	4.9%
Gold (per ounce)	$1,293.15	6.52	0.5%	0.8%	0.8%	-2.2%	13.1%	8.6%	-10.4%
Silver (per ounce)	$15.70	0.13	0.9%	1.3%	1.3%	-7.6%	6.3%	14.9%	-11.7%
Platinum (per ounce)	$825.19	4.71	0.6%	3.7%	3.7%	-16.2%	3.4%	1.2%	-26.1%
Palladium (per ounce)	$1,333.81	9.06	0.7%	5.7%	5.7%	22.8%	57.8%	21.0%	-29.4%
Copper (per pound)	$2.68	-0.01	-0.5%	-0.7%	-0.7%	-16.9%	30.5%	17.4%	-26.1%
Zinc (per pound)	$1.12	-0.02	-1.5%	-1.7%	-1.7%	-26.3%	30.5%	60.6%	-26.5%
Nickel (per pound)	$5.08	0.00	0.1%	5.6%	5.6%	-13.1%	27.5%	13.5%	-41.8%

Currencies (in CAD$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2017	2016	2015
U.S. Dollar	1.320	-0.0036	0.3%	3.3%	3.3%	-5.2%	-6.5%	-2.9%	19.1%
Euro	1.523	0.0005	0.0%	2.7%	2.7%	-1.1%	6.8%	-6.0%	6.9%
British Pound	1.692	0.0047	-0.3%	2.9%	2.9%	0.2%	2.5%	-18.7%	12.7%
Japanese Yen (in JPY¥)	82.052	0.1270	-0.2%	-2.0%	-2.0%	8.3%	3.0%	0.2%	-15.7%

Currencies (in USD$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2017	2016	2015
Canadian Dollar	0.758	0.0023	-0.3%	-3.2%	-3.2%	5.4%	6.9%	3.0%	-16.0%
Euro	1.154	0.0035	0.3%	0.6%	0.6%	-4.1%	14.2%	-3.2%	-10.2%
British Pound	1.282	0.0071	0.6%	0.5%	0.5%	-5.3%	9.5%	-16.3%	-5.4%
Japanese Yen (in JPY¥)	108.300	-0.1300	0.1%	1.3%	1.3%	2.7%	-3.7%	-2.7%	0.4%

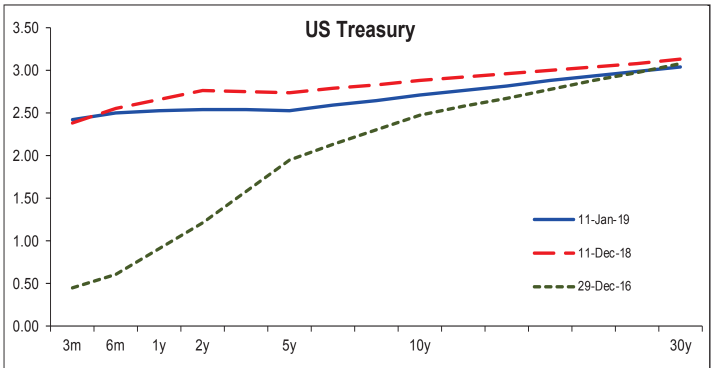
Source: Bloomberg. Returns based on simple price appreciation unless otherwise noted. Equity indices based in local currency unless otherwise noted. MSCI indices based in USD. Equity indices in Canadian dollars are converted using Bloomberg exchange rates.

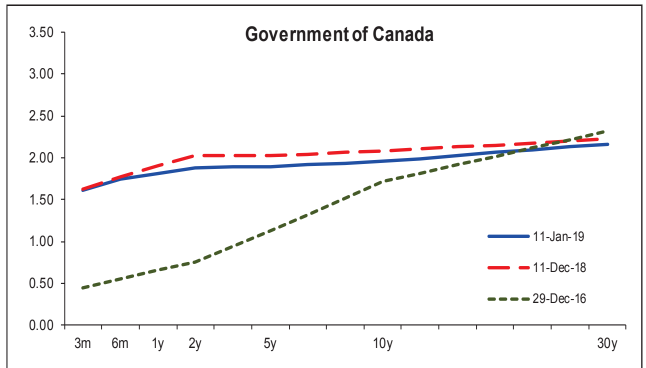


DEX Univ Bond Indices (As of December 31, 2018)	Month	3 Month	6 Month	YTD	1 Year
FTSE TMX Canada Universe Bond TR	1.36%	1.76%	0.79%	1.41%	1.41%
FTSE TMX Canada ST Universe Bond TR	0.87%	1.36%	1.37%	1.91%	1.91%
FTSE TMX Canada MT Universe Bond TR	1.60%	2.42%	1.64%	1.91%	1.91%
FTSE TMX Canada LT Universe Bond TR	1.86%	1.87%	-0.60%	0.31%	0.31%

Key Rates		Next Mtg
Overnight Rate CAN	1.75%	2019/03/06
Bank Rate CAN	2.00%	
Prime Rate CAN	3.95%	
Fed Funds US	2.50%	2019/01/30
Discount US	3.00%	
Prime Rate US	5.50%	

International Yields	O/N	3mo	10-Yr	Next Mtg
United Kingdom	0.75%	0.79%	1.29%	2019/02/07
Eurozone	0.00%	-0.55%	0.19%	2019/01/24
Australia	1.50%	1.93%	2.31%	2019/02/04
Japan	0.10%	-0.11%	0.02%	2019/01/23





US Treasury Yields		11-Jan-19	11-Dec-18	29-Dec-16	31-Dec-15	DoD Change
TSY 2.5 12/31/2020	2-yr	2.54%	2.76%	1.21%	1.05%	-0.033
TSY 2.625 12/31/2023	5-yr	2.53%	2.74%	1.96%	1.76%	-0.035
TSY 3.125 11/15/2028	10-yr	2.71%	2.88%	2.48%	2.27%	-0.032
TSY 3.375 11/15/2048	30-yr	3.04%	3.13%	3.08%	3.02%	-0.020

Government of Canada Yields		11-Jan-19	11-Dec-18	29-Dec-16	31-Dec-15	DoD Change
CAN 2.25 02/01/2021	2-yr	1.88%	2.03%	0.76%	0.48%	-0.027
CAN 2 09/01/2023	5-yr	1.90%	2.03%	1.12%	0.73%	-0.026
CAN 2 06/01/2028	10-yr	1.96%	2.08%	1.72%	1.39%	-0.030
CAN 2.75 12/01/2048	30-yr	2.16%	2.23%	2.32%	2.15%	-0.026

Money Market*

GIC's	1-yr	2-yr	3-yr	4-yr	5-yr
High	2.75%	3.05%	3.16%	3.20%	3.27%
Average	2.38%	2.60%	2.71%	2.79%	2.93%

	1 mth	2mth	3mth	6mth	1 yr
CDOR	2.28%	2.29%	2.30%	2.34%	2.54%
ICE LIBOR US	2.52%	2.65%	2.80%	2.87%	3.04%

CAD $1,000,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	1.54%	1.55%	1.57%	1.75%	1.86%
BAs	2.16%	2.18%	2.20%	2.25%	2.37%
CP	2.21%	2.23%	2.25%	2.30%	2.42%

CAD $100,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	1.36%	1.37%	1.39%	1.57%	1.68%
BAs	1.92%	1.94%	1.96%		
CP	1.97%	1.99%	2.01%		

US $1,000,000	1 mth	2mth	3mth	6mth
T-Bills	2.39%	0.00%	2.42%	2.50%
CTBUS	2.39%	2.40%	2.41%	2.46%

US $100,000	1 mth	2mth	3mth	6mth
T-Bills	2.21%	-	2.24%	2.32%
CTB US	2.21%	2.22%	2.23%	2.28%

Economic Indicators**

	Actual Q418	Forecast Q119	Forecast Q219	Forecast Q319	Forecast Q419	Forecast Q120	Actual 2018	Forecast 2019	1 yr Forecast 2020
Overnight Rate	1.75	1.85	2.05	2.25	2.35	2.45	1.15	2.35	2.45
10-Yr Yield	1.97	2.40	2.57	2.69	2.74	2.78	2.30	2.74	2.78
Real GDP (est)	1.90	1.50	2.30	1.90	1.85	1.70	2.10	1.90	1.70
Headline CPI (est)	2.10	1.80	1.90	1.90	2.15	2.10	2.30	1.90	2.00
Unemployment Rate	5.70	5.80	5.70	5.70	5.70	5.80	5.80	5.70	5.80

	Q418	Q119	Q219	Q319	Q419	Q120	2018	2019	2020
Fed Funds	2.50	2.65	2.85	2.95	3.05	3.05	2.50	3.05	3.05
10-Yr Yield	3.13	3.08	3.21	3.27	3.29	3.35	3.13	3.29	3.35
Real GDP (est)	2.60	2.30	2.46	2.29	2.00	1.90	2.60	2.56	1.90
Headline CPI (est)	2.27	2.07	2.15	2.25	2.30	2.30	2.43	2.15	2.20
Unemployment Rate	3.70	3.60	3.60	3.59	3.53	3.60	3.90	3.60	3.60

*The prices and yields shown are taken from sources we believe to be reliable. They are provided on an indicative basis for information purposes only. Prices and yields are subject to change with availability and market conditions. RBC Dominion Securities does not warrant its completeness or accuracy. This is not an offer or solicitation for the purchase or sale of any securities or financial instruments. Securities or financial instruments mentioned herein may not be suitable for all investors.
** Source: Bloomberg Forecast ***ICE LIBOR data over 24-hours stale

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			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [Top Pick/Outperform]	876	54.89	234	26.71
HOLD [Sector Perform]	642	40.23	111	17.29
SELL [Underperform]	77	4.82	7	9.09

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