

# MacKay Weekly Investment Report



WEEK ENDING FRIDAY, JULY 6, 2018

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*MacKay Group Wealth Management. Our mission is to provide our clients superior investment advice, products and service. Serving clients and friends at RBC Dominion Securities Inc. – a member of RBC Financial Group since 1983.*

## Holiday WK/Something Different/Squeeze Profits

Bit of a US holiday week with Canada Day and US July 4<sup>th</sup> – many on holidays – equity markets steady.

**Positives:** Canada's labour force grows most in 6 years – Canada's tight jobs market is beginning to bring more workers into the labour force. US trade deficit narrows to smallest since 2016. US hiring topped forecasts in June while unemployment rose from an 18-year low & wage gains unexpectedly slowed, indicating the labour market has room to keep expanding – as unemployment is up rising rates fears could ease. Friction between China & US offers one more example whereby the world is stepping back from what has been a relentless march toward globalization – Brexit, Trump victory – Italian election outcome – time to try something different. At this juncture the economic costs of the deterioration in trading relationships seem low. Yield curve not inverted – Fed/Yield curve model argues the earliest we should anticipate recession would be 2020. It's about housing – continues to grow at a slow pace – housing costs high – shortage of housing – home ownership rate increasing from multi-decade lows – millennials have the peak of their home buying years ahead of them. Earnings high as companies are managing to squeeze out more profits – companies rationally borrowing more because monopoly power is allowing them to support a higher debt burden so possibly less bad debt in the system. US election approaching – one party narrowly controlling the house & the GOP enlarging their majority in the senate it will be tougher legislative environment for the president – but the senate controls appointments to the Courts and agencies and as long as the president can keep his own party in line he will have broad discretion to pick who he wants – this means tax cuts & deregulation stays. (B. Wesbury).

**Negatives:** There are fears about an oil spike above \$150. Trump eyes even higher tariffs as trade war with China escalates. Yield curve points to recession in 2020 if current flattening trend continues & credit spreads very low lately meaning credit conditions have been pretty lax. Bottlenecks in the economy – consumption weakness – low unemployment is finding it hard to for companies to find workers like truck driver shortage puts pressure on freight rates – costs get passed on. Will we see a stock bust – induced by combination of trade wars + rate hikes + expansion of risk debt at top of cycle.

**Investment Wisdom:** "Financial peace isn't the acquisition of stuff. It's learning to live on less than you make, so you can give money back and have money to invest. You can't win until you do this." - Dave Ramsey

## PORTFOLIO MANAGEMENT-Week's Highlights

**Stock of the Days:** ATD'b, TRP, JNJ

Have a great weekend. Bruce

Exchange	28-Jun-18	YoY	MoM
S&P/TSX	16,179.89	6.4%	1.6%
DJIA	24,216.05	13.8%	-0.6%
S&P 500	2,716.31	12.3%	1.0%
Nasdaq	7,503.68	22.1%	1.4%
FTSE 100 Index (UK)	7,615.63	3.6%	-0.2%
DAX Index (Germany)	12,177.23	-1.9%	-3.9%
Hang Seng Index (HK)	28,497.32	9.8%	-6.5%
Nikkei 225 (Japan)	22,270.39	10.1%	-0.4%
Shanghai 180 (China)	7,408.48	-6.3%	-9.3%

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