

May in Review

Minimum wage set to rise in Ontario. Ontario premier Kathleen Wynne announced plans to increase the minimum hourly wage for the province. Initially, it will rise to \$14 on January 1 2018, then to \$15 on January 1, 2019. Other proposed changes include equal pay for part-time and full-time employees for similar work as well as a higher number of vacation and sick days. Before the proposal becomes law, Wynne will have to work with small business operators and the Ontario Chamber of Commerce who oppose the proposal, arguing that it would increase costs for businesses and subsequently lead to layoffs.

CPP grew in 2016. The Canada Pension Plan (CPP) grew almost 12% in the year ended March 31, and totalled over \$316 billion in assets. Asset growth in dollar value was \$37.8 billion – \$33.5 billion of which was from investment gains and income, with the other \$4.3 billion coming from contributions to the plan. Mark Machin, Chief Executive Officer of the CPP, added that the portfolio has been designed to be “resilient during periods of economic stress,” while growing over the long-term.

U.S. starts the NAFTA countdown. U.S. President Donald Trump’s trade negotiator announced that working with partners on the North American Free Trade Agreement (NAFTA) will begin this summer. “The letter to Congress has a more conciliatory tone,” said Gabriela Cuevas, the head of Mexico’s Senate foreign relations committee, while Canadian Foreign Minister Chrystia Freeland wants to “align NAFTA to new realities.”

China gets downgraded. Chinese debt was downgraded for the first time since 1989, by rating agency Moody’s Investors Service. Total borrowing reached almost 260% of GDP at the end of 2016, up almost two-thirds over a decade. The news prompts concerns that it will be more difficult for Chinese authorities to make promised economic reforms. Moody’s tempered the downgrade saying Chinese deleveraging will be “gradual and eventually contained as reforms deepen.”

Fear is not a factor on Wall Street. Volatility is now at multi-decade lows, as measured by the CBOE Volatility Index (VIX). Also known as the ‘fear index,’ it declined to 9.56 during intra-day trading on May 9, 2017, only slightly higher than its low back in December 1993, before bouncing back. A close of 10 or lower signifies that market volatility is exceptionally low, even in historical terms.

Did you know?

Seniors outnumber children for the first time – accounting for 16.9% and 16.6% of the population respectively, according to Statistics Canada. This is the largest increase in the senior population since Confederation, says the agency. The gap will likely widen even more as the percentage of children (under 15 years old) is expected to remain at current levels, but seniors are expected to rise to a quarter of the population by 2031. This shift is expected to impact businesses that may need to alter their focus to providing more for seniors, particularly in areas such as healthcare and long-term assisted living.

INDEX [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.06	0.21	0.54	159
Bonds (FTSE TMX Canada Universe Bond)	0.86	3.57	2.99	1047
Canadian Equities (S&P/TSX Composite)	-1.33	1.50	12.27	15,350
U.S. Equities (S&P 500, US\$)	1.41	8.66	17.46	2,412
Global Equities (MSCI World, US\$)	2.19	10.55	17.12	1,912
Emerging Markets (MSCI Emerging Markets, US\$)	2.97	17.32	27.88	1,005

CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.13	-0.46	-3.02	0.74
C\$/Euro	-1.99	-6.83	-3.98	0.66
C\$/Pound	1.61	-4.68	8.95	0.57
C\$/Yen	0.47	-5.70	-2.96	82.06

COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	0.29	9.96	3.51	1,275.40
Oil WTI (\$/barrel)	-2.62	-14.87	-6.30	48.32
Natural Gas (\$/MMBtu)	-8.41	-14.36	4.21	3.07

[†]Total Return, as at May 31, 2017. Indices are quoted in their local currency.
Source: Bloomberg

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