

## June in Review

**Rate hikes on the Canadian horizon?** Bank of Canada (BoC) Governor Stephen Poloz reiterated last month that previous interest rate cuts have been effective. He also said that the economy was “surprisingly” strong during the first part of the year, and all signs indicate that it will stay “above potential” for the time being. It is now expected that interest rate increases are more likely in the near term. Although the TSX Composite closed down for the month, the Canadian dollar rose on the news of potential rate hikes.

**U.S. increases tariffs on softwood lumber.** Canadian lumber companies were the target of additional trade measures by the U.S. Department of Commerce, which recently imposed additional anti-dumping duties. On average, Canadian producers will pay 6.87% for the new anti-dumping duty, on top of the average 19.88% countervailing duty introduced in April, with the overall rate on Canadian softwood lumber imports now coming in at 26.75%. This particular trade dispute dates back to the 1980s and reignites periodically.

**Buffett invests in Home Capital.** Berkshire Hathaway – owned by legendary billionaire investor Warren Buffett – purchased \$400 million shares in embattled Canadian mortgage lender Home Capital, taking a 38% stake. Additionally, Berkshire will provide a \$2 billion line of credit. “Home Capital’s strong assets... and its leading position in a growing market sector make this a very attractive investment,” said Buffett.

**British election leaves Conservatives in disMay.** British Prime Minister Theresa May’s early election cost her party a majority government last month. May’s Conservative party lost their parliamentary majority, compelling them to form a government with Northern Ireland’s Democratic Unionist Party. May called the election early in the hopes of gaining a strong show of support from voters before entering into negotiations to exit the European Union, but this strategy backfired. The British pound fell sharply on the news.

**Fed hikes interest rates.** In a widely expected move, the U.S. Federal Reserve (Fed) raised interest rates for the third time in six months – and signalled that it expects to raise rates at least one more time this year. The Fed also pointed towards reducing its bond purchases, which is expected to send long-term interest rates higher. By detailing its plans well in advance, the Fed is confident that it can avoid the “market strains” a surprise hike could cause, said Chair Janet Yellen.

### Did you know?

Canada has only had two banks fail since 1923 – whereas, the U.S. has had more than 17,000, according to the Canadian Encyclopedia. The Canadian banking and financial system is recognized as one of the most sound in the world, according to a recent report from The Conference Board of Canada.

INDEX <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.02	0.23	0.51	159
Bonds (FTSE TMX Canada Universe Bond)	-1.17	2.36	0.02	1035
Canadian Equities (S&P/TSX Composite)	-0.76	0.73	11.05	15,182
U.S. Equities (S&P 500, US\$)	0.62	9.34	17.89	2,423
Global Equities (MSCI World, US\$)	0.42	11.01	18.89	1,916
Emerging Markets (MSCI Emerging Markets, US\$)	1.04	18.55	24.14	1011

CURRENCIES <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	4.14	3.67	-0.30	0.77
C\$/Euro	2.47	-4.53	-3.10	0.68
C\$/Pound	3.06	-1.76	1.88	0.59
C\$/Yen	5.68	-0.34	8.60	86.71

COMMODITIES (US\$) <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-2.60	7.10	-7.12	1,242.30
Oil WTI (\$/barrel)	-5.19	-19.09	-12.19	46.04
Natural Gas (\$/MMBtu)	-2.38	-15.10	-1.84	3.04

<sup>†</sup>Total Return, as at June 30, 2017. Indices are quoted in their local currency.  
Source: Bloomberg

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