

November in Review

Doubts increase over the future of NAFTA. The fifth round of North American Free Trade Agreement (NAFTA) negotiations wrapped up in Mexico City last month. Canadian officials are increasingly concerned that U.S. President Donald Trump will scrap the deal and will look to lobby support from U.S. Congress to block the move should this occur. Over the past year, Canada has been reaching out to U.S. politicians at all levels to gather support for a bilateral agreement between U.S. and Canada as an alternative to NAFTA.

Brexit costs grow. The U.K. economy is already feeling the cost of its vote to leave the European Union. Britain's Office of Budget Responsibility recently downgraded its forecast for GDP growth to 1.5% for this year and 1.4% for 2018, from 2.2% and 2.1%, respectively, before the Brexit vote. Meanwhile, the U.K. "lags behind most other advanced countries in terms of both private and public investment," according to the Office for National Statistics, which stated that with a declining currency and rising inflation, the U.K. will need to plan government spending carefully.

World's largest wealth fund proposes withdrawal from oil and gas. In an effort to reduce oil price sensitivity, Norway's US\$1 trillion sovereign wealth fund is proposing to sell up to \$40 billion of shares in global oil and gas companies. Divesting shares in the industry, which accounts for a fifth of the country's economic output, will help "spread the risks for the state's wealth," said Egil Matsen, the deputy central bank governor overseeing the fund. Norway's Finance Ministry will review and decide on the proposal in the fall of 2018.

Jerome Powell to be next Fed Chair. U.S. President Donald Trump announced that he has selected Federal Reserve (Fed) Governor Jerome Powell to be the next Chair of the Fed. Powell is considered to be a policy "centrist" who is expected to continue Janet Yellen's cautious approach to policy. He will be the first Fed Chair in 40 years to not have a PhD in Economics, but he has had a long and successful career in investment banking and private equity, and has already served as a Fed governor for five years. Powell needs to win the Senate's approval before beginning the role.

China gives global access. In a move applauded by foreign financial firms early last month, China announced new rules that will remove foreign ownership limits on banks and allow foreign firms to become majority stakeholders in local securities ventures, fund managers and insurers. Global financial firms are still likely to face challenges, including strong competition from government-owned Chinese firms that already have long-standing relationships with their customers. The revised rules are still being finalized by Chinese regulators.

Did you know?

Canadians' debt levels are higher than anywhere in the world and are a risk to economic growth, warned the Organization for Economic Cooperation and Development (OECD). "While higher indebtedness does not necessarily imply that problems are just around the corner, it does increase vulnerability to shocks," the OECD said. South Korea and the U.K. follow Canada, respectively, in terms of indebtedness.

INDEX [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.07	0.57	0.62	160
Bonds (FTSE TMX Canada Universe Bond)	0.79	2.94	2.43	1041
Canadian Equities (S&P/TSX Composite)	0.47	7.80	9.59	16,067
U.S. Equities (S&P 500, US\$)	3.07	20.49	22.87	2,648
Global Equities (MSCI World, US\$)	2.22	21.42	24.37	2,077
Emerging Markets (MSCI Emerging Markets, US\$)	0.21	32.88	33.29	1,121

CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-0.05	4.21	4.19	0.78
C\$/Euro	-2.22	-7.88	-7.33	0.65
C\$/Pound	-1.85	-4.89	-3.66	0.57
C\$/Yen	-1.03	0.29	2.44	87.26

COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	0.16	9.22	7.20	1,276.70
Oil WTI (\$/barrel)	5.15	0.72	7.61	57.40
Natural Gas (\$/MMBtu)	-0.03	-19.97	-14.23	3.03

[†]Total Return, as at November 30, 2017. Indices are quoted in their local currency.
Source: Bloomberg

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