

## March in Review

The prospect that a global trade war could stall global economic growth, as well as ongoing North American Free Trade Agreement (NAFTA) negotiations were the dominant headlines in March. Several announcements from U.S. President Donald Trump regarding tariffs and trade deals caused a notable increase in market volatility, and helped push the S&P 500 and MSCI World down 2.54% and 2.18% respectively for the month. U.S. industrials were hit particularly hard on the trade war worries, with the Dow Jones Industrial Average declining by over 250 points in a single trading day. In Canada, uncertainty around NAFTA negotiations also negatively impacted industrials, which more than offset advances in the energy sector, causing the S&P/TSX Composite Index to finish the month down 0.16%. The Canadian dollar was volatile, finishing the month down 0.40% at 77.62 cents per USD, as a key concession from the U.S. during NAFTA negotiations was not enough to offset losses from earlier in the month.

**Markets dented by tariffs and trade war worries.** Global equity markets fell into the red last month, as U.S. President Donald Trump signed a presidential memorandum that could impose tariffs on up to \$60 billion of imports from China. In response, China unveiled plans to impose its own tariffs on up to \$3 billion of U.S. imports, fueling fears that a global trade war is brewing. The Cboe Volatility Index (VIX) – commonly referred to as the “fear index” – rose more than 30% in response to the news. The increase brought the VIX closer in-line with its long-term average, which follows a period of atypically low volatility levels over the past year.

**Bank of Canada holds rates steady.** The Bank of Canada (BoC) kept rates at 1.25% last month, citing trade policy as an “important and growing source of uncertainty.” The BoC said that while more hikes are probably warranted, some continued monetary policy accommodation will likely be needed to keep the economy operating close to potential and inflation on target. The bank also expressed caution in considering future rate moves. In response, the Canadian dollar sank to near its weakest level since July 2017 following the news.

**U.S. makes NAFTA concession on autos, announces expiration date for tariff exclusions.** U.S. NAFTA negotiators dropped their contentious demand that all vehicles made in Canada and Mexico that are bound for the U.S. market must contain at least 50% American-made components. This key concession has raised hopes that similar progress can be made in other areas. However, U.S. President Trump announced that the initial exemption that Canada and Mexico received on new steel and aluminum tariffs introduced in March would expire on May 1st, putting additional pressure to finalize NAFTA negotiations before the deadline.

**Facebook data scandal slams tech sector.** Facebook posted its largest one day decline since March 2014 last month, following reports that it misused user data. Concerns over the collection and use of data at other tech companies also spread, sparking a selloff in tech stocks and pushing the tech-heavy NASDAQ Composite Index down 1.8% at one point. The selloff in the technology sector was a significant contributor to the S&P 500 Index's decline last month.

### Did you know?

Finance Minister Bill Morneau and Bank of Canada Governor Stephen Poloz unveiled a new \$10 bank note on International Women's Day last month, featuring trailblazer Viola Desmond and a new vertical design. Desmond, an icon of the human rights and freedoms movement in Canada, was selected by the Minister of Finance to be featured on the bank note after a vigorous selection process. Desmond was chosen from a short list of five iconic Canadians who, together, illustrate the diverse and important contributions women have made in shaping Canada's history. The new \$10 note is expected to be in circulation by late 2018.

INDEX <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.10	0.27	0.79	160
Bonds (FTSE TMX Canada Universe Bond)	0.75	0.10	1.21	1038
Canadian Equities (S&P/TSX Composite)	-0.16	-4.52	1.03	15,367
U.S. Equities (S&P 500, US\$)	-2.54	-0.76	14.06	2,641
Global Equities (MSCI World, US\$)	-2.18	-1.21	13.99	2,066
Emerging Markets (MSCI Emerging Markets, US\$)	-2.00	1.24	23.43	1,169

  

CURRENCIES <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-0.40	-2.43	3.44	0.78
C\$/Euro	-1.27	-4.78	-9.46	0.63
C\$/Pound	-2.24	-5.95	-8.25	0.55
C\$/Yen	-0.62	-7.86	-0.85	82.62

  

COMMODITIES (US\$) <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	0.27	0.65	3.94	1,327.30
Oil WTI (\$/barrel)	5.65	7.75	27.33	64.94
Natural Gas (\$/MMBtu)	1.37	-0.29	-4.67	2.73

<sup>†</sup>Total Return, as at March 29, 2018. Indices are quoted in their local currency.  
Source: Bloomberg

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