

Despite all of the volatility, the outlook for economic growth and corporate profits remains positive for 2018. We have seen some softening in recent months, still numbers remain constructive and show no true signs of recession on the horizon. Europe and Japan have seen stronger numbers than North America likely due to the uncertainty around NAFTA.

Jobs numbers in Canada for March were strong which bodes well for our economy and markets in the second half. Stateside, we have seen weaker than expected numbers this month, however, the trend remains strong. The U.S. Federal Reserve will likely remain slow and steady with interest rate hikes especially with the trade uncertainty.

The key risk and the reason for much of the current volatility which has caused global markets to retest their February lows is the "Trade War" being initiated by President Trump. As we have seen play out with the initial steel and aluminum tariffs and the NAFTA negotiations, this is likely the "Art of the Deal" approach to negotiations. The challenge we face at this point is that the approach taken with China may lead to an uncertain outcome which is unsettling because of the importance of China to the Global markets. The Chinese have been aggressive in targeting Republican States with focused tariffs especially aimed at the Farm belt which may sway the U.S. mid-term elections. This should bring all parties to the table simply due to rational self-interest. In the meantime, the market doesn't like uncertainty so volatility will likely remain. It is also important to note that any tariffs are subject to a public comment process that needs to be completed before they can take effect and this can take months, so there is lots of time for de-escalation and productive talks.

With all the noise and ups and downs on the markets it is important to note that technical patterns are still sound and fundamental corporate earnings remain strong. What we are seeing now with the fluctuations is fairly typical of a correction in the range of 10%. The reason that investors have been caught off guard is that we have just come out of an extended period of extremely low volatility which itself was an anomaly. When markets correct the bottoming process is very volatile until markets find their footing and begin a new trend. With earnings starting this month, this could be the catalyst that lowers some of the tension.

In May, the President will announce his stance on the nuclear agreement with Iran which will likely cause uncertainty in the region which is a catalyst to increase the price of oil and should benefit Canadian markets.

We are staying the course and looking past the short term uncertainty with a balanced approach focusing on dividend growth and sustainable income creation.

Have a great month and remember that if you have any questions or just want to touch base, please call or email. We're here to help!

"We cannot solve problems by using the same kind of thinking we used to create them."

Albert Einstein

The Andras Group.