

The markets continue to maintain positive momentum buoyed by the passage of the U.S. tax reform bill through the U.S. Senate. The initial response was positive and markets responded with strong gains. More recently we have seen a pause as the bill is digested. The main focus of the bill is to reduce the corporate tax rate to 20% making U.S. corporations more competitive. The hope is that U.S. businesses with holdings off shore will repatriate funds and that the increased revenues will allow for hiring and growth. In theory this makes sense, however the application is yet to be tested.

U.S. jobs numbers remain strong and the economy continues to gain momentum which is reflected in strong corporate earnings. This bodes well for the global economy.

The TSX remains muted as an index with the price of oil fluctuating. Investors are also taking a cautious approach with the over-hang of NAFTA and ongoing trade negotiations. The Canadian economy continues to improve and we are creating new jobs at an accelerated pace. This bodes well going forward as markets ultimately reflect economic conditions and corporate earnings.

We remain cautiously optimistic with the market conditions. The conditions for a rapid decline are not apparent at this point.

We look at four main things when assessing markets.

1. The first is signs of an approaching recession and these are not apparent. The economy continues to grow, jobs numbers are solid, corporate earnings are strong and inflation remains in check.
2. The second looks at monetary policy. Central banks are currently taking a cautious approach to raising rates and using a measured application so the Bank of Canada and the U.S. Federal reserve are considered dovish which is accommodative.
3. The third criteria is Euphoria. Stock valuations are high but reasonable and we are still seeing caution from investors so we are not seeing a rush to invest.
4. The final is a "black swan" event which is impossible to predict. The over-hang of North Korea remains, however the market is looking past this.

Europe continues to build momentum as Brexit negotiations move forward and we are seeing positive numbers from Japan and China.

Commodity prices have been under pressure recently, however with growth continuing globally prices should firm.

High quality dividend paying equities remain in favour with an eye to the technology, financial service and industrial sectors.

Have a joyous and healthy holiday season and we look forward to a happy and prosperous New Year for everyone.

"The way you spend Christmas is far more important than how much".

- Henry David Thoreau

As always if you have any questions or want to touch base, we're here to help!

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