

January saw the global markets rise, up until the end of the month when we began to see some pressure which has continued into the beginning of February. Whether this is the beginning of a larger correction remains to be seen. As we face some downward pressure it is important to remember that these downward periods are essential for a healthy market. Earnings remain strong and the global economy continues to perform. It is important to also note that because of the rapid rise in early January of the U.S. equity markets there was an incredible amount of re-balancing that needed to be done by large fund managers. Overweight stocks needed to be sold to re-balance because of overweight positions. Bullish sentiment also rose to a very high level which often indicates that a market needs to let off some steam before resuming the underlying trend.

We have seen the differential increasing between the U.S. markets and the TSX recently and there are likely a number of reasons for this. The overhang of NAFTA negotiations, corporate tax cuts in the United States, a Canadian dollar over 80 cents, an interest rate increase and an inability to get our energy infrastructure moving have all made the Canadian markets less appealing. As we move through the year we will likely see resolutions to these issues and investors will shift to a focus on earnings and a strengthening economy.

Looking forward to the rest of 2018 we remain cautiously optimistic. Global growth remains the story with strength from Japan, Europe and the emerging markets. The North American markets should also remain buoyant after they face a pull back. The signs of recession remain distant, however, it is important to remain vigilant and note the dangers of raising interest rates too quickly. Consensus is for three rate hikes in the United States with Canada mirroring the U.S. Federal Reserve.

At this point in the economic cycle; industrials, technology, materials, energy and financials should be in focus.

"Short to intermediate term, markets are unknowable; long term, they're inevitable."

-Nick Murray

As always if you have any questions or need anything please contact us. We are here to help!

Have a great month!

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