

Markets took a pause in June with signs of deflation appearing. Oil faced pressure and the Consumer Price Index (CPI) data in the U.S. was surprisingly soft. Commodity prices slumped as a result of over-supply fears and pressure from China. This slump hurt the TSX, moving it into negative territory for the year. The Canadian dollar has strengthened with the possibility of interest rate hikes in July and this has also influenced the equity markets. We should see a commodity recovery in the second half as the economic recovery continues. It looks like markets are seeking direction and with low volume and less activity over the summer we may see tepid returns until earnings season kicks off.

We still see the global economy recovering and corporate earnings remaining strong. We are seeing some signs of oil consumption rising which will ease the over-supply issues and should put a floor under the price. The job numbers on both sides of the border remain strong as well. The focus remains on wage growth which is key to building consumer confidence.

Europe and the emerging markets continue to recover. We need to keep an eye on North Korea and the results of the G-20 summit.

Interest rates are likely on the rise in the United States and now appear to be on the horizon in Canada. This combined with the world's major central banks looking to unwind the historic stimulus measures caused by the Great Recession has caused some pause for reflection. This unwinding of balance sheets and increase of rates should be measured and gradual. The TSX has been affected by this more than many of the other global markets as our dollar has strengthened, commodities have been under pressure and interest sensitive sectors have pulled back.

In a rising rate environment, materials, industrials and financials should perform well. It is important to remember at times when equities face pressure that ultimately a growing economy and improving job picture is good for the markets. When rates begin to rise there is uncertainty and this often causes markets to react negatively initially before recovering. We await earnings over the next few months and this will likely dictate the tone for the next quarter.

"You can either complain that rose bushes have thorns - or rejoice that thorn bushes have roses."

-Unknown

As always if you have any questions or just want to touch base, please contact us. We're here to help.

Have a great month,

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