

February was an incredibly volatile month seeing many of the major indices around the world slipping into correction territory. This was an important occurrence as markets needed to re-adjust. A possible cause of the drop can be traced to a surprise rise in U.S. wage growth. This may have spooked the markets into projecting faster interest rate hikes going forward which would slow down economic growth. The TSX didn't see the sharp drops of the American markets as we have been on a slow and steady decline for the past few months.

Markets began to recover by the end of the month and then we were thrown a curve ball in the form of tariffs. This surprised everyone including the President's own party as it seemed to come out of the blue. Although this was a campaign issue for Trump, most experts felt that the Republican Congress would be able to avoid a protectionist agenda. We have now seen the details. It appears that this was a political gambit orchestrated by the President to manipulate NAFTA negotiations and quell Chinese steel dumping. It appears now that Canada and Mexico have been exempt from tariffs as long as NAFTA negotiations continue. There is also room for negotiations with individual international partners as well. How this plays out remains to be seen, however, this form of negotiating is unusual in the political arena. Longer term this should sort itself out and may actually speed up the NAFTA process. It is important that our negotiators remain firm in order to counter any advantage that Donald Trump may be trying to manipulate. Ultimately we should be able to come up with a deal that benefits all of North America as long as those behind the scenes bargain in good faith.

The global economy remains strong with solid earnings growth around the world. Jobs numbers in Canada and the United States are positive and we are still seeing limited inflation. This means that the gradual approach to raising rates seems to be in tact which bodes well for equity markets. The surprise of a potential breakthrough with North Korea also has caused sentiment to improve.

Volatility has returned and over the near term, markets will likely continue to fluctuate. The underlying economic numbers remain strong and there is still no sign of a recession on the horizon. The old Chinese blessing and curse "May you live in interesting times" seems apt.

Have a great month!

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

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