

April saw political uncertainty with the French elections, and the markets moved along with this. A Le Pen victory could spell trouble for the survival of the European Union, however it appears likely that Macron, the centrist candidate, will prevail and the markets are reflecting this.

China has also been front and centre recently, appearing to be willing to put pressure on North Korea, allowing the region to cool down and perhaps create a constructive dialog. This is still very uncertain because dealing with someone as unstable as Kim Jong Un will be very challenging.

U.S. economic activity was tepid and this caused some pause for reflection. Disappointing GDP figures were likely a result of weather and seasonal patterns. Earnings have been good thus far and this has allowed the equity markets to maintain an upward bias. Job numbers were also constructive, alleviating fears of a prolonged slowdown. The passing of the Health Care bill by the House of Representatives puts tax reforms back in the spotlight and this is positive for equities.

Bond prices have firmed, but that is likely more due to uncertainty. The likelihood of a U.S. rate hike should add further pressure as June approaches.

Oil prices have been under pressure lately, however, we will likely see them stabilize over the near term and creep back up to the \$50 dollar/barrel level. These fluctuations appear range bound as OPEC wants the price to be predictable and the U.S. producers like to project profits based on a sustainable base.

In Canada, we have seen pressure on the dollar due to the price of oil, Trump trade uncertainty and slowing wage gains. Rate hikes remain unlikely for the near term. We have also seen pressure on the financial sector with the news at Home Capital. This situation appears localized and not systemic. Earnings from Canadian companies have been solid and this should put a floor under the market as we work through the weaker cyclical period of the second quarter.

*"Fear knocked at the door. Faith answered. No one was there." ~ Martin Luther King Jr.*

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