

Justwealth 1st Quarter 2017 Market Commentary

Equity markets continued to advance strongly in the first quarter of 2017 reaching new highs in many regions. Fixed income markets also bounced back after an unusually weak previous quarter – as we expressed in our last commentary, short-term declines in fixed income will eventually be recouped in the future in the form of higher yields.

Continued optimism on President Trump’s economic agenda kept equity markets moving upwards through the end of February, but when it became apparent that the republican bid to repeal Obamacare would be difficult to accomplish, markets took a bit of a breather. Further complicating matters was a well-telegraphed increase in interest rates by the U.S. Federal Reserve. Two increases since December of 2016 and the expectation of more to come have some believing that the “free money party” is over. While inflation is still relatively muted, unemployment in the U.S. has dropped to 4.5% near a ten-year low, supporting the view that interest rates are likely to increase.

Canada does not seem to have that same strong growth “problem” that the U.S. is experiencing. The latest unemployment reading in Canada was 6.7%, not bad, but it is accompanied by weak wage growth. Additionally, range-bound oil prices well below the prices from just a few years ago limits the upside potential for economic prospects. This has kept the Bank of Canada cautious on raising interest rates and borrowing rates (read: mortgages) remain very low. Not surprisingly this continues to push housing prices to record levels. A recent report showed the year-over-year increase in house prices here in Toronto rose 33%! FYI, inflation is struggling to stay above 2%...

In advance of Canada celebrating its 150th birthday, we’d like to let everyone to know that Justwealth recently celebrated its own one-year anniversary of opening its doors to the public! We have been fortunate to have had very favourable press coverage, tens of thousands of visitors to our website and performance results that has surpassed our own lofty expectations and very competitive within their respective categories. We believe that our mission of providing honest, smart and cost-effective wealth management is resonating well with Canadians. A sincere thank you to our clients and we hope to deliver an ever-improving experience in the future.

Here is a recap of market performance as of March 31, 2017*

Asset Class	Market Index	Quarter	1 Year	3 Years	5 Years	10 Years
Fixed Income	FTSE TMX Canada Universe Bond	1.24%	1.51%	4.09%	3.52%	4.82%
Canadian Equity	S&P/TSX Capped Composite	2.41	18.62	5.82	7.84	4.70
U.S. Equity	S&P 500 (\$Cdn)	5.48	20.81	17.55	20.03	9.08
Int'l Equity	MSCI EAFE (\$Cdn)	6.65	15.15	7.04	12.12	2.53

* Performance annualized for periods greater than 1 year