

Quarterly market commentary

June 2018

TD Economics Forecast*		
	Current	1 Year Forecast
USD per CAD	0.76	0.79
Oil (US\$)	66	65
Gold (US\$)	1,279	1,335
10 Year Canada Bond	2.20%	2.65%

2018 continues to be dominated by trade related headlines. The determination of the Trump administration to challenge all trade agreements is starting to impact business behaviour. According to *Money Magazine* (June 2018), CEOs in the U.S. are dialing back their hiring and spending plans. About 90% of those polled feel that Trump's trade stance will slow the U.S. economy and lead to higher costs for U.S. consumers. I think it is safe to say that Canada is in a similar situation. With the tariffs on automobiles alone, we could be looking at job losses and increased expense for consumers wanting to purchase imported cars. The bottom line is a full out global trade war resulting in slower growth and lower stock market valuations.

From a political standpoint, the strategy is quite brilliant. Leading up to the mid-term elections his administration has brought in significant tax cuts which appeals to the Republicans, and the tactic of protecting American manufacturing jobs certainly appeals to a voter base in the Midwest. If any trade deals are renegotiated, Trump's Twitter feed will proclaim that it was the best trade deal ever signed by the U.S. The best case scenario is that new trade agreements get re-signed and the variance between the new and old ones is not as drastic as reported by President Trump. Our portfolio, however, will have a defensive position in the unlikely scenario that a global trade war does in fact occur.

Regardless of whether trade war resolutions take place, going forward our portfolio will have a different look and composition, as I feel that that the long-term narrative has changed from the environment we have been in for the past five years. Namely, interest rates are slowly rising versus falling, governments are focusing on fiscal rather than monetary policy, trade tensions will force countries to develop trade with other countries which will have an impact on the U.S. dollar and finally, Asia may play a larger role in global growth than it has in the past. A more in-depth report will be sent to you in the coming weeks.