

# Weekly economic review

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- **As 2015 draws to an end...**
  - ... It's time for a look back on the markets
- **Fed (finally) hikes its leading rate:**
  - What it means for 2016



# A look at this week's markets

*At the close on Thursday*

## Canadian Bonds (total return)

## *Year-to-date*

FTSE TMX Universe	-0.09%	3.24%
FTSE TMX Long	0.00%	3.43%
Corps	-0.33%	2.60%

## Equities (total return)

S&P/TSX	1.75%	-8.49%
S&P 500	1.50% (3.53% CAD)	1.22% (21.89% CAD)
EAFE	0.58% (2.6% CAD)	-1.81% (18.24% CAD)
MSCI Emerging	3.24% (5.3% CAD)	-16.49% (0.56% CAD)

## Other (WTD change)

## *Year-to-date*

Oil (WTI)	34.95 \$	-1.88%	-34.39%
USD/CAD	0.7158 \$	-1.96%	-16.96%



# The Fed hiked its leading rate on Wednesday

SPX C 2041.89 -31.18 2034.78 / 2046.00  
On 17 Dec d O 2073.76 H 2076.37 L 2041.66 Prev 2041.89

SPTSX C 13009.93 -156.15 12990.46 / 13028.85  
On 17 Dec d Vol 262,462,906 O 13141.52 H 13158.86 L 12967.43 Prev 13009.93





## Following the Fed, will the market peak?

S&P 500 reaches its peak on average 30 months  
after the first Fed rate hike

Through	Peak	First Fed rate hike	Months between first hike and market peak
Sep 1953	Aug 1956	Dec 1954	21
Dec 1957	Jul 1959	Aug 1958	11
Oct 1960	Dec 1961	Feb 1961	10
Jun 1970	Jan 1973	Mar 1971	22
Oct 1974	Dec 1976	Jun 1975	18
Aug 1982	Aug 1987	Jun 1983	52
Oct 1990	Mar 2000	Feb 1994	73
Oct 2002	Oct 2007	Jun 2004	<u>40</u>
		<b>Average</b>	<b>30</b>

# Lessons from the past

Asset Classes	Consecutive Rate Hikes 1994, 1999 and 2004 Average		Gradual Rate Hikes 1986 Episode	
	Previous 6 Months	Following 6 Months	Previous 6 Months	Following 6 Months
S&P/TSX	8.2%	7.6%	-0.7%	21.3%
S&P 500	6.3%	3.5%	3.7%	16.6%
U.S. 10-Yr Yields (bps)	51.6	47.1	-137.7	157.4
Canadian Dollar	-0.6%	2.9%	0.8%	2.8%
U.S. Dollar (DXY)	4.4%	-5.7%	-7.2%	-8.8%
Gold	-5.9%	6.6%	13.6%	16.6%



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