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# Renewed tension in Greece

Greece's hour is drawing near. Negotiations with its European counterparts took on such a negative tone in April that the Greek government finally decided to relegate its flamboyant minister of finance, Yanis Varoufakis, to the wings. The country's pockets are now empty and several critical deadlines are at hand, as a large repayment instalment to the International Monetary Fund (IMF) for bailout money received comes due in May. The Greek prime minister has also opened the door to an emergency referendum should it need to renege on its electoral promises and submit to the IMF's demands. Things are moving quickly and could come to a head at any time.

### Canada: Bank of Canada optimistic again

- The Bank of Canada quickly moved from pessimism to optimism this spring. In April, the BoC maintained its key rate at 0.75% but generated surprise with its growth expectations for the Canadian economy in the second half of 2015. In fact, the bank's forecast for the third quarter is greater than the most optimistic private economists surveyed and is based on expectations of a robust acceleration of the U.S. economy in the second half of the year. In addition, BoC Governor Stephen Poloz stated on several occasions that January's lowering of the key rate was probably sufficient to enable the Canadian economy to weather this uncertain period and is not worried, for the moment, about the growing "bubble" in the housing market.
- Job creation expanded with 28,700 new jobs in March, against zero expectations. The participation rate also grew by a tenth of a point, keeping the unemployment rate steady at 6.8%. Although it is good news that more than half of the jobs created were in the private sector, there were still only 57,000 part-time jobs added against losses of 28,000 full-time jobs. The most important point, however, is that the shift to the manufacturing sector has not yet occurred. The goods sector was down 17,000 jobs, with a loss of 2,000 jobs in the manufacturing industry, while there was an unexpected increase of 6,000 jobs in the natural resources sector. We remain anxious at seeing total employment in the manufacturing sector at its lowest level in history (see graph).

### United States: a difficult first quarter

- As expected, U.S. economic growth slowed in the first quarter, for several temporary reasons including harsh weather and labour strikes at ports along the west coast. Growth was limited to a meagre 0.2%, below expectations of 1.0%. Household consumption once again contributed significantly to growth, but business investments and net exports (fewer exports and more imports) pulled it back down. Finally, there was an increase in inventories, largely caused by the strikes in west coast ports. It has been a timid start to the year; we will now see if the story of 2014 repeats itself, with a strong rebound in the second and third quarters.
- Since all good things must come to an end, less than 200,000 jobs were added in the U.S. in March, for the first time in over a year. Only 126,000 new jobs were created during the month, against expectations as high as 247,000. This result is surprising for the apparent slowdown in the job market (having just emerged from a spectacular series of performances, even eclipsing all the years in the last decade when the economic environment was more favourable to the current environment) and especially for its lack of depth in the distribution of job creation. Manufacturing, construction and mining all shed jobs. Finally, weak growth in the number of hours worked is testimony to the slowdown in economic activity in the first quarter.
- Total annual inflation rebounded slightly south of the border, going from -0.1% to 0.0%. Meanwhile, core inflation, excluding energy and food, sent an important signal by rising against all expectations to 1.8%. Publication of this news got several observers speculating that underlying inflation may be close enough to the target to make the Fed sufficiently comfortable to raise its key rate before September.
- Consumer confidence fell to a four-month low, due to a sudden lack of confidence in the job market. Expectations of wage increases as well as the perception of ease in finding a job were quickly overturned. This observation sowed seeds of doubt on the markets in terms of the ability of U.S. consumers to relaunch the first world economy on their own.

### Europe: the end is near in Greece

- Things are coming to a head in Greece, with the government decreeing on April 20 that all public sector entities were to deposit, immediately, all their cash reserves and term deposits into the coffers of the central Bank of Greece, so as to be able to pay the country's civil servants and collect enough money to make the 770 million euro payment due to the IMF on May 12. The month of May will be critical for the various parties seeking an orderly conclusion to the situation.

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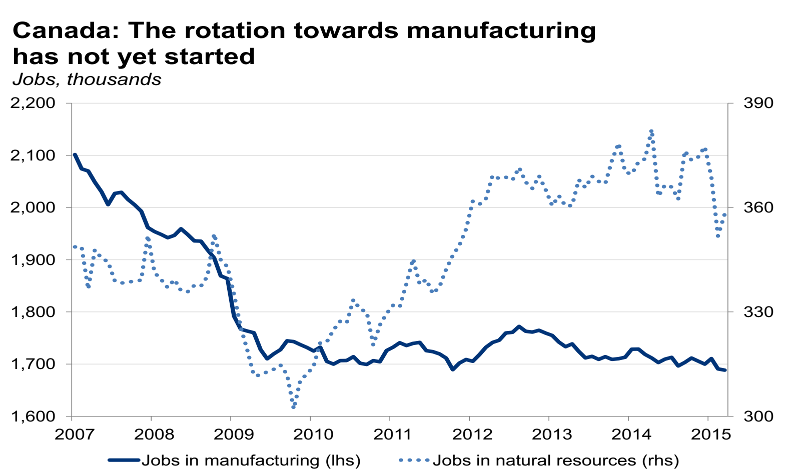
### Economic and Financial Statistics

| | As at 2015-04-30[1] | As at 2014-12-31 |
|---|---|---|
| Canada - Unemployment rate | 6.8% | 6.6% |
| Canada - CPI (year/year variation) | 1.2% | 2.0% |
| Canada - GDP (year/year variation) | 2.1% | 2.3% |
| U.S. - Unemployment rate | 5.5% | 5.8% |
| U.S. - CPI (year/year variation) | -0.1% | 1.3% |
| U.S. - GDP (year/year variation) | 3.0% | 2.7% |
| 2-year Canada Bonds | 0.68% | 1.01% |
| 10-year Canada Bonds | 1.58% | 1.79% |
| Oil (West Texas) ($US) | 58.9 | 53.8 |
| Gold ($US) | 1,180.7 | 1,186.3 |
| CRB Commodities Index ($US) | 229.5 | 230.0 |
| Exchange rate $CA/$US | 1.2077 | 1.1621 |

Source: IAIM

[1] Most recent data available at such date




Source: IAIM

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## Reference indexes[1] - Returns as at April 30, 2015

| | Simple returns[2] | | | Compound annual returns | | | |
|---|---|---|---|---|---|---|---|
| | 1 month % | 3 months % | YTD % | 1 year % | 3 years % | 5 years % | 10 years % |
| **INDEXES RELATED TO INCOME FUNDS** | | | | | | | |
| FTSE TMX Canada 91 Day T-Bill Index | 0.0 | 0.1 | 0.3 | 0.9 | 1.0 | 0.9 | 1.9 |
| FTSE TMX Canada Short Term Bond Index | (0.4) | (0.5) | 1.4 | 3.2 | 2.8 | 3.3 | 3.9 |
| FTSE TMX Canada Universe Bond Index | (1.4) | (1.8) | 2.7 | 8.2 | 4.6 | 5.8 | 5.4 |
| S&P/TSX Capped Income Trusts (Total Return) | (0.1) | (1.0) | 9.1 | 15.6 | 9.3 | 15.3 | 11.7 |
| SB - World Government Bonds (Can. $) | (3.4) | (5.8) | 3.0 | 4.5 | 5.1 | 5.5 | 2.7 |
| **INDEXES RELATED TO CANADIAN EQUITY FUNDS** | | | | | | | |
| S&P/TSX 60 | 2.3 | 4.2 | 4.8 | 8.9 | 11.5 | 7.4 | 8.2 |
| S&P/TSX Completion Index | 2.8 | 5.5 | 6.0 | 1.4 | 8.3 | 8.1 | 7.5 |
| S&P/TSX Composite Index | 2.4 | 4.5 | 5.1 | 6.9 | 10.7 | 7.6 | 7.9 |
| S&P/TSX Capped Composite Index | 2.4 | 4.5 | 5.1 | 6.9 | 10.7 | 7.6 | 7.9 |
| S&P/TSX SmallCap Index | 4.7 | 4.0 | 4.5 | (9.1) | 1.7 | 2.2 | 3.2 |
| **INDEXES RELATED TO U.S. & INTERNATIONAL EQUITY FUNDS** | | | | | | | |
| S&P 500 (Can. $) | (3.5) | 0.1 | 6.5 | 25.0 | 24.9 | 18.5 | 7.9 |
| S&P 500 (Can. $) (Reuters) | (3.4) | 0.4 | 6.6 | 24.7 | 24.9 | 18.5 | 7.9 |
| MSCI - World (Can. $) | (2.2) | 1.6 | 9.4 | 18.8 | 21.5 | 14.6 | 6.5 |
| MSCI - EAFE (Can. $) | (0.5) | 3.5 | 14.0 | 12.4 | 19.0 | 11.4 | 5.2 |
| MSCI - EAFE (Can. $) (Reuters) | (0.5) | 3.8 | 14.2 | 12.2 | 19.0 | 11.3 | 5.2 |
| MSCI - Europe (Can. $) | (0.2) | 3.1 | 13.0 | 7.6 | 20.3 | 12.5 | 5.8 |
| **INDEXES RELATED TO SPECIALTY FUNDS** | | | | | | | |
| MSCI - AC Asian Pacific Free (Can. $) | 0.2 | 4.9 | 17.0 | 26.8 | 17.7 | 10.9 | 6.9 |
| MSCI - Emerging Markets (Can. $) | 2.9 | 4.4 | 15.1 | 19.6 | 10.9 | 7.2 | 9.5 |
| MSCI - World Health Care (Can. $) | (4.6) | 0.3 | 12.4 | 31.4 | 30.3 | 20.7 | 7.7 |
| NASDAQ 100 (Can. $) | (2.7) | 1.4 | 8.9 | 36.3 | 25.7 | 21.5 | 11.6 |
| S&P/TSX Capped REIT Index | 1.3 | (0.1) | 9.3 | 12.1 | 6.9 | 13.3 | 10.6 |

| | Variation | | | Compound annual variation | | | |
|---|---|---|---|---|---|---|---|
| | 1 month % | 3 months % | YTD % | 1 year % | 3 years % | 5 years % | 10 years % |
| EXCHANGE RATE (Can. $ / US $) As at April 30, 2015: 1.2119 | (4.4) | (4.7) | 4.5 | 10.6 | 7.0 | 3.7 | (0.4) |
| EXCHANGE RATE (US $ / Can. $) As at April 30, 2015: 0.8252 | 4.7 | 4.9 | (4.3) | (9.6) | (6.6) | (3.5) | 0.4 |

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**World: China still slowing**

- More signs of deceleration in China, with industrial output, retail sales and capital investments all slowing significantly. Growth in GDP reached 7.0%, better than expectations, but there is concern over the nominal GDP growth rate, which slowed to 6.1%, indicating that China is now in deflation. It is difficult to stimulate an economy caught up in excessive debt, as we saw in the developed countries following the crisis of 2008!

**Financial markets: Canadian dollar bounces back**

- The S&P/TSX Composite Index was back in positive territory in April. The Canadian index was up 2.4%, led by energy, materials and health. The total return since the beginning of 2015 is now at 5.1%.
- The U.S. S&P 500 Index was also up, with a total return of 1.0% (down 3.5% in Canadian dollar terms). The strong growth of the loonie, which surged 4.8% in April, weighed on the returns of Canadian investors. Total return for the year to date is now 1.9% (6.5% in Canadian dollars).
- World indices MSCI - EAFE and MSCI - World were up 1.2% and 1.0% respectively (-0.5% and -2.2% respectively in Canadian dollars). Meanwhile, the emerging markets, measured by the MSCI - Emerging Markets Index, were up 5.7% (+2.9% in Canadian dollars). Total returns for the year to date for the MSCI - EAFE, MSCI - World and MSCI - Emerging Markets indexes are 12.1%, 6.0% and 10.9% respectively in local currency (14.0%, 9.4% and 15.1% in Canadian dollar terms).
- The Canadian bond market, measured by the FTSE TMX Canada Universe Bond Index, was down 1.4% in April. The return for the year to date remains positive at 2.7%.

[1] Indexes presented in this document are total return index.
[2] The rates for the period are non-annualized.