



Sébastien Mc Mahon, MEcon., PRM, CFA
Frédéric Gagnon, MFin

economics@ia.ca or ia.ca/economy

Political uncertainty in the air

World

For the past few months, economic data have been exceeding expectations worldwide. Monetary stimulus measures seem to be boosting consumption even more in Europe, the renewal in manufacturing activity is benefitting the emerging economies, while the U.S. job market is heading closer and closer to full employment. However, we must keep an eye on the possibility of the Trump administration implementing significant protectionist measures, which could cloud the issue given the world economy's high degree of integration through its supply chains.

World: Economic surprise index

Citigroup index

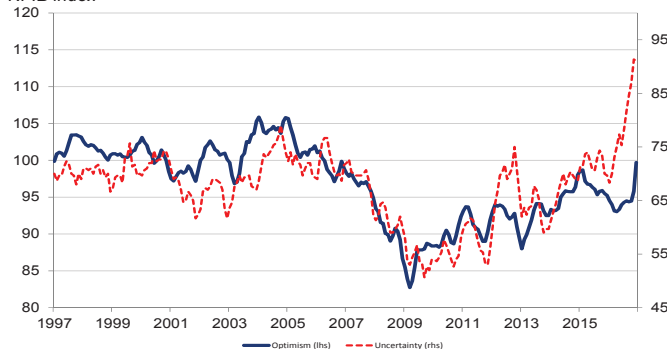


North America

In the United States, President Trump's promises to reduce corporate taxes and to loosen regulations have the potential to stimulate growth for many U.S. companies. On the other hand, the time and manner in which these measures are to be applied remain unknown, since they will first have to be debated within Congress. The resulting situation is well reflected in the indices of the National Federation of Independent Businesses (NFIB), which show that the degree of optimism among small-sized business owners is at its highest in 12 years, but that their level of uncertainty is at record high as well!

U.S.: Small businesses are optimistically uncertain about the future

NFIB index

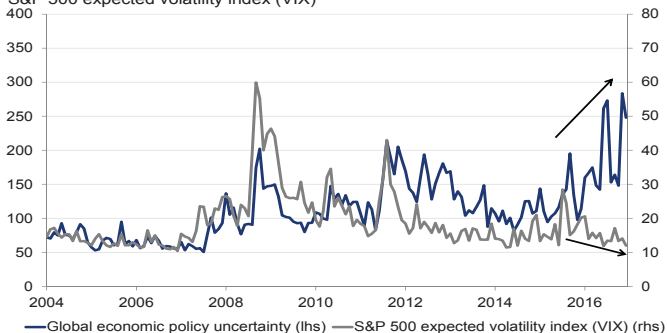


Financial markets

The change in administration in Washington has led to a strong rotation toward the equities market, with investors reacting positively to the "pro-business" statements of President Trump and anticipating an increase in inflationary pressures. However, there is a large disparity between equity market volatility and the prevailing political uncertainty. We believe that investors are under-estimating the risks associated with Mr. Trump's protectionist discourse, for example, the risk of seeing the United States and China engage in a trade war.

The stock market seems to ignore the uncertainty toward global economic policy

Global economic policy uncertainty index and S&P 500 expected volatility index (VIX)



Total Return Reference indexes²

Returns as at January 31, 2017

	Simple returns ¹			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	0.0	0.5	0.7	0.8	1.4
FTSE TMX Canada Short Term Bond Index	0.2	(0.3)	0.2	1.0	2.0	2.1	3.6
FTSE TMX Canada Universe Bond Index	(0.1)	(2.7)	(0.1)	1.1	3.7	3.1	4.8
SB - World Government Bonds (Can. \$)	(1.9)	(6.9)	(1.9)	(6.2)	4.5	4.2	4.3
Indexes related to Canadian Equity Funds							
S&P/TSX 60	1.2	5.4	1.2	24.1	8.2	8.3	4.9
S&P/TSX Completion Index	(0.3)	2.8	(0.3)	22.3	4.0	5.2	4.1
S&P/TSX Composite Index	0.8	4.8	0.8	23.6	7.1	7.5	4.7
S&P/TSX Capped Composite Index	0.8	4.8	0.8	23.6	7.1	7.5	4.7
S&P/TSX SmallCap. Index	0.5	6.5	0.5	45.1	5.0	2.6	2.1
Indexes related to U.S. & International Equity Funds							
S&P 500 (Can. \$)	(0.9)	4.8	(0.9)	11.2	16.8	20.2	8.1
MSCI - World (Can. \$)	(0.6)	3.5	(0.6)	8.4	11.7	15.7	5.0
MSCI - EAFE (Can. \$)	(0.1)	1.5	(0.1)	3.7	6.2	11.7	2.0
MSCI - EAFE (Can. \$) (Reuters)	0.0	1.5	0.0	3.8	6.1	11.7	2.0
MSCI - Europe (Can. \$)	(0.9)	2.3	(0.9)	1.4	4.7	12.0	2.1
Index related to Specialty Funds							
MSCI - AC Asian Pacific Free (Can. \$)	1.9	(0.5)	1.9	11.1	10.2	11.4	3.8
MSCI - Emerging Markets (Can. \$)	2.4	(1.8)	2.4	16.6	7.4	5.9	3.9
MSCI - World Health Care (Can. \$)	(0.8)	1.1	(0.8)	(3.8)	12.3	20.1	9.1
NASDAQ 100 (Can. \$)	2.2	3.7	2.2	10.7	19.4	21.9	12.2
S&P/TSX Capped REIT Index	0.0	3.1	0.0	16.5	7.2	6.1	5.9
Exchange Rate (Can. \$ / US \$)							
As at January 31, 2017: 1.3038	(2.8)	(2.7)	(2.8)	(7.4)	5.4	5.4	1.0
Exchange Rate (US \$ / Can. \$)							
As at January 31, 2017: 0.7670	2.9	2.8	2.9	7.9	(5.1)	(5.1)	(1.0)

¹ The rates for the period are non-annualized.

² Please refer to the Legal Notices on page 3 for more information about these Indexes.

Industrial Alliance, Investment Management Inc. (“IAIM”) is an affiliate of iA Financial Group¹ and is authorized by the Index Providers (as defined below) to use the indexes and trademarks referred to in iA Financial Group’s publications. All rights in the indexes vest in the Index Providers and/or their respective licensors.

S&P Dow Jones Indices LLC, FTSE International Limited, FTSE TMX Global Debt Capital Markets Inc., Frank Russel Company, MSCI Inc., Citigroup Index LLC and Nasdaq OMX Group Inc. is each an “Index Provider.” The funds offered by iA Financial Group are not sponsored, endorsed, issued, sold or promoted by the Index Providers and/or their respective licensors. The latter shall bear no liability whatsoever with respect to any such funds and underlying data contained herein. Index Providers and/or their licensors make no express or implied warranties with respect to the funds, nor do they make any representation regarding the advisability of investing in the funds. No further distribution or use of the Index Providers’ Data is permitted without their express written consent.

Financial and economic publications of iA Financial Group are not written, reviewed or approved by the Index Providers. Holders should refer to the relevant documents of each Index Provider for more information on any index.

Attributions

FTSE

Where FTSE indexes are used or referenced: FTSE International Limited (“FTSE”) © FTSE [2016]. FTSE® is a trade mark of the London Stock Exchange Group companies and is used by FTSE under licence. “NAREIT®” is a trade mark of the National Association of Real Estate Investments Trusts and “EPRA®” is a trade mark of European Public Real Estate Association and all are used by FTSE under licence. “TMX” is a trade mark of TSX Inc. and is used under licence.

Global Industry Classification Standard

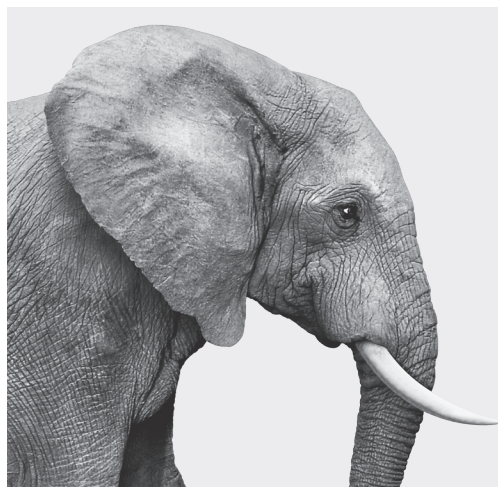
Where the Global Industry Classification Standard (“GICS”) is used or referenced: the GICS was developed by and is the exclusive property and a service mark of MSCI Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by IAIM. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

¹ iA Financial Group is a business name and trademark of Industrial Alliance Insurance and Financial Services Inc.

Economic and Financial Statistics as at January 31, 2017

	As at 2017-01-31 ¹	As at 2016-12-31
Canada - Unemployment rate	6.9%	6.8%
Canada - CPI (year/year variation)	1.5%	1.2%
Canada - GDP (year/year variation)	1.6%	1.5%
U.S. - Unemployment rate	4.7%	4.6%
U.S. - CPI (year/year variation)	2.1%	1.7%
U.S. - GDP (year/year variation)	1.9%	1.7%
2-year Canada Bonds	0.77%	0.75%
10-year Canada Bonds	1.76%	1.72%
Oil (West Texas) (US \$)	52.8	53.7
Gold (US \$)	1,211.5	1,157.5
CRB Commodities Index (US \$)	192.0	192.5
Exchange rate Can. \$/US \$	1.3030	1.3433

¹ Most recent data available at such date



ia.ca

iA Financial Group is a business name and trademark of
Industrial Alliance Insurance and Financial Services Inc.

INVESTED IN YOU.