



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

economics@ia.ca or ia.ca/economy

Bank of Canada changes its tune

World

In France, the sustained acceleration in economic activity and the strong political majority enjoyed by the new Macron government represent a unique opportunity to implement significant reforms within the job market, which has been in the grips of an unemployment rate of more than 10% (and nearly 25% among youth). The government is proposing to relax a number of regulations limiting companies' flexibility in managing their labour force. Although these measures are still far from legislated, they have the potential to considerably boost the country's long-term growth (as was the case in Germany in the mid-2000s).



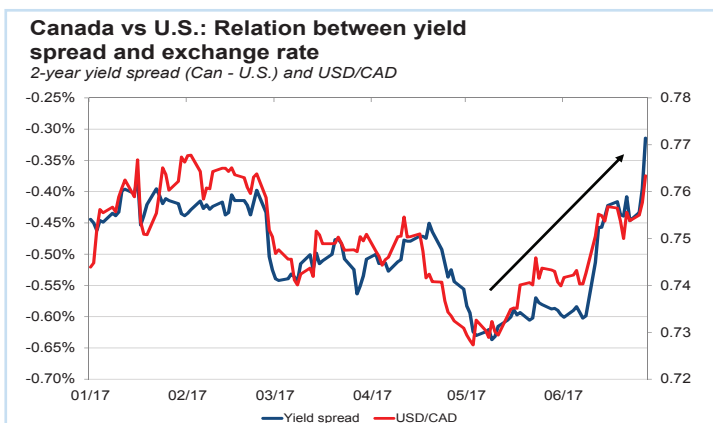
North America

In the United States, the economic data of the last few months have been disappointing, which is in large part a reflection of over-optimistic expectations as well as a certain slow-down in the data related to inflation. Even so, this slight dip in the data is unlikely to put the brakes on the U.S. Federal Reserve's plan to normalize its monetary policy. We also regard with favour the recent renewal in business investment, which could possibly lead to an extension of the economic cycle.



Financial markets

The Bank of Canada surprised the markets in June by questioning the relevance of maintaining such a high level of monetary accommodation in the country. The Bank of Canada seems encouraged by the strong economic recovery, which has spread to a greater number of sectors and regions. The financial markets quickly took note of the Bank's comments by revising upward the probability of a hike in the Canadian benchmark rate in the second half of the year, which translated into an increase in short-term rates and a rise in the Canadian dollar.



Total Return Reference indexes²

Returns as at June 30, 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	0.2	0.4	0.6	0.8	1.2
FTSE TMX Canada Short Term Bond Index	(1.0)	(0.4)	0.2	0.2	1.7	1.9	3.5
FTSE TMX Canada Universe Bond Index	(1.2)	1.1	2.4	0.0	3.8	3.3	5.1
SB - World Government Bonds (Can. \$)	(4.0)	0.2	1.1	(4.3)	5.7	4.8	5.6
Indexes related to Canadian Equity Funds							
S&P/TSX 60	(1.2)	(1.8)	0.6	12.4	4.1	9.4	4.0
S&P/TSX Completion Index	0.6	(1.2)	1.1	7.3	0.3	7.0	3.6
S&P/TSX Composite Index	(0.8)	(1.6)	0.7	11.0	3.1	8.7	3.9
S&P/TSX Capped Composite Index	(0.8)	(1.6)	0.7	11.0	3.1	8.7	3.9
S&P/TSX SmallCap. Index	0.5	(5.5)	(4.1)	3.7	(1.6)	5.1	0.6
Indexes related to U.S. & International Equity Funds							
S&P 500 (Can. \$)	(3.2)	0.4	5.9	17.9	17.1	20.3	9.3
MSCI - World (Can. \$)	(3.5)	1.3	7.0	18.0	12.3	16.9	6.1
MSCI - EAFE (Can. \$)	(4.0)	3.3	10.1	20.1	8.0	14.1	3.1
MSCI - EAFE (Can. \$) (Reuters)	(4.0)	3.3	10.2	20.3	8.1	14.1	3.1
MSCI - Europe (Can. \$)	(4.9)	4.9	12.1	21.6	7.1	14.9	3.3
Index related to Specialty Funds							
MSCI - AC Asian Pacific Free (Can. \$)	(2.3)	3.1	12.1	22.8	11.8	14.0	4.9
MSCI - Emerging Markets (Can. \$)	(2.8)	3.6	14.7	24.0	8.3	9.5	4.3
MSCI - World Health Care (Can. \$)	(1.2)	4.3	12.5	10.2	14.9	21.2	11.5
NASDAQ 100 (Can. \$)	(6.2)	1.2	12.3	27.6	21.3	22.4	13.6
S&P/TSX Capped REIT Index	(1.1)	0.0	3.6	0.5	5.3	4.9	6.4
Exchange Rate (Can. \$ / US \$)							
As at June 30, 2017: 1.2987	(3.8)	(2.6)	(3.2)	0.0	6.8	5.0	2.0
Exchange Rate (US \$ / Can. \$)							
As at June 30, 2017: 0.7700	4.0	2.7	3.3	0.0	(6.4)	(4.7)	(2.0)

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.

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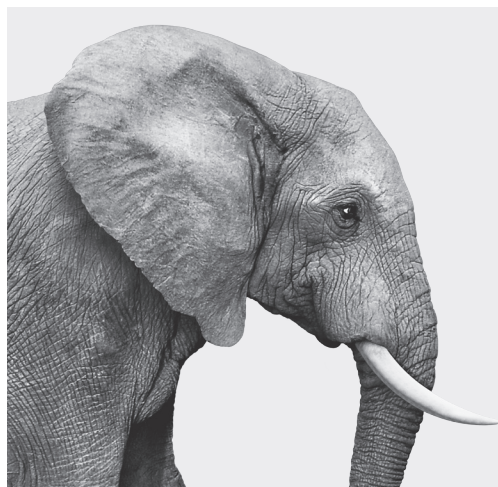
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Economic and Financial Bulletin

Economic and Financial Statistics as at June 30, 2017

	As at 2017-06-30 ¹	As at 2016-12-31
Canada - Unemployment rate	6.5%	6.8%
Canada - CPI (year/year variation)	1.3%	1.2%
Canada - GDP (year/year variation)	3.3%	1.5%
U.S. - Unemployment rate	4.4%	4.6%
U.S. - CPI (year/year variation)	1.9%	1.7%
U.S. - GDP (year/year variation)	2.1%	1.7%
2-year Canada Bonds	1.10%	0.75%
10-year Canada Bonds	1.77%	1.72%
Oil (West Texas) (US \$)	46.0	53.7
Gold (US \$)	1,243.5	1,157.5
CRB Commodities Index (US \$)	174.8	192.5
Exchange rate Can. \$/US \$	1.2965	1.3433

¹ Most recent data available at such date



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