

Cdn Banks Hopping Over the Bar

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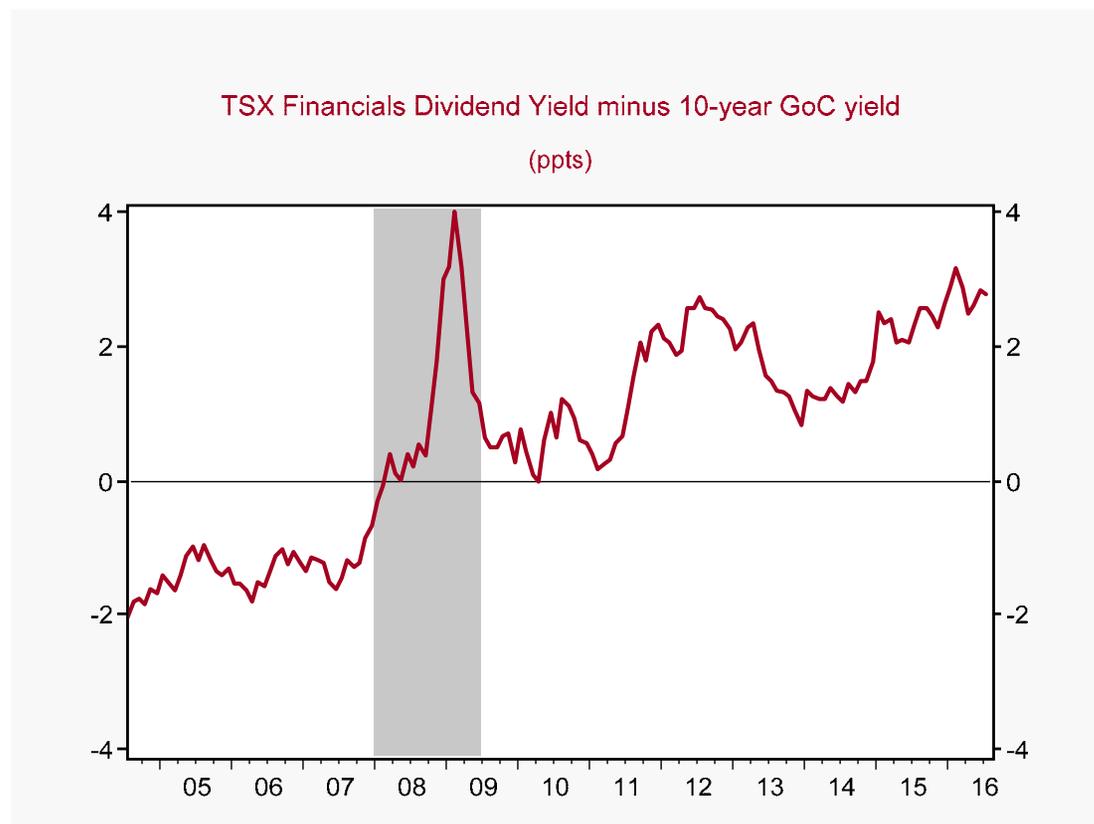
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Canadian banks are having a stellar week, with better-than-expected earnings results lifting many in the sector to near-record levels.

Juicy dividend yields have long been a major selling point for the group, especially in an increasingly low-for-long interest rate world. But, note that even as the sector has rallied strongly from its 2015/16 lows, compressing dividend yields, bond yields have continued to fall as well. In fact, the spread between bank dividend yields (or the broader TSX financial sector as in the chart) has held right around the highest level since the depths of the financial crisis at around 3 ppts.

And of course, those dividends continue to grow at a solid clip too, well in excess of inflation.



Survey (the Other One) Says: Solid Job Growth



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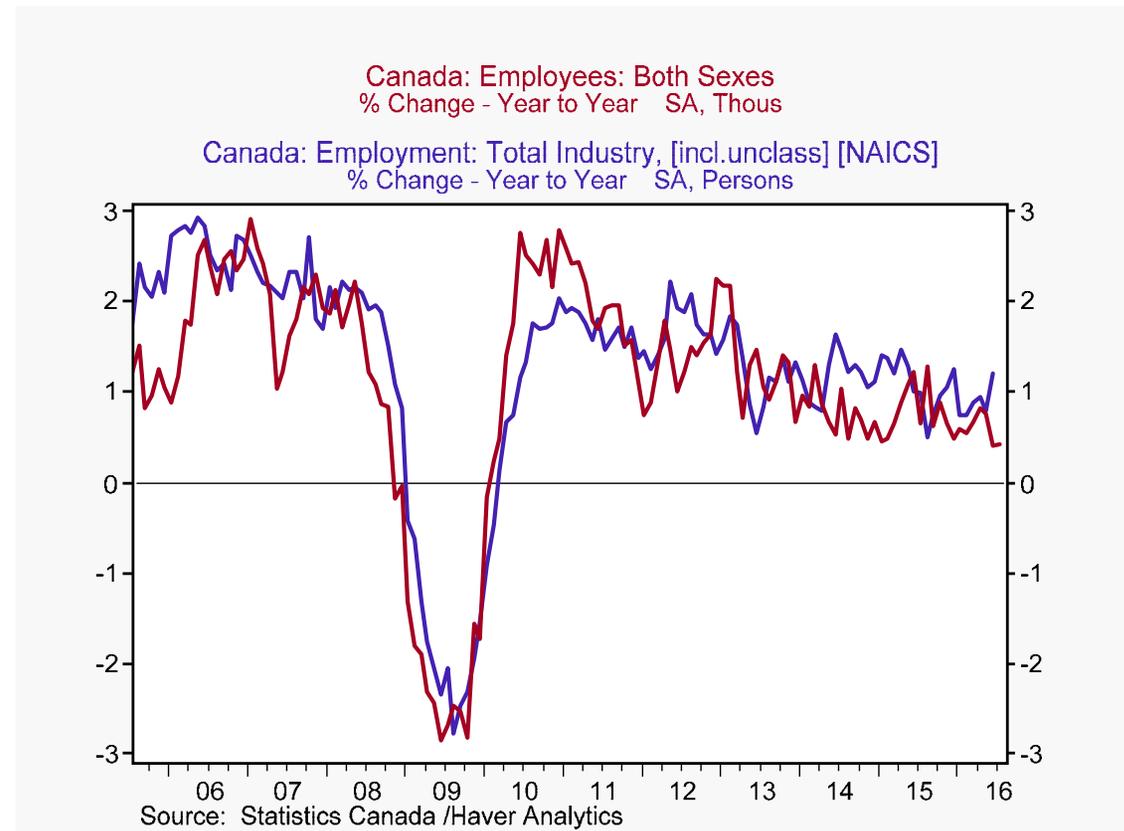
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Canadian employment rose a very strong 52,700 in June according to the less publicized (and much less timely) payrolls survey, versus a previously-reported 38k decline in the Labour Force Survey (excluding self employment).

Note that these two surveys have started to diverge on a year-over-year basis, with the payrolls survey up a solid 1.2% y/y, while the LFS is middling along at a 0.4% y/y clip (again ex-self employment). This is not all that uncommon historically, and the truth is often somewhere in between.

Education is one area these two have diverged in recent months, with the LFS plunging below year-ago levels—look for a reversal there as that sector often gets wonky.

Also, note the recent strength in public administration jobs in the payrolls survey, up 3.6% y/y in June as more government spending is getting doled out.



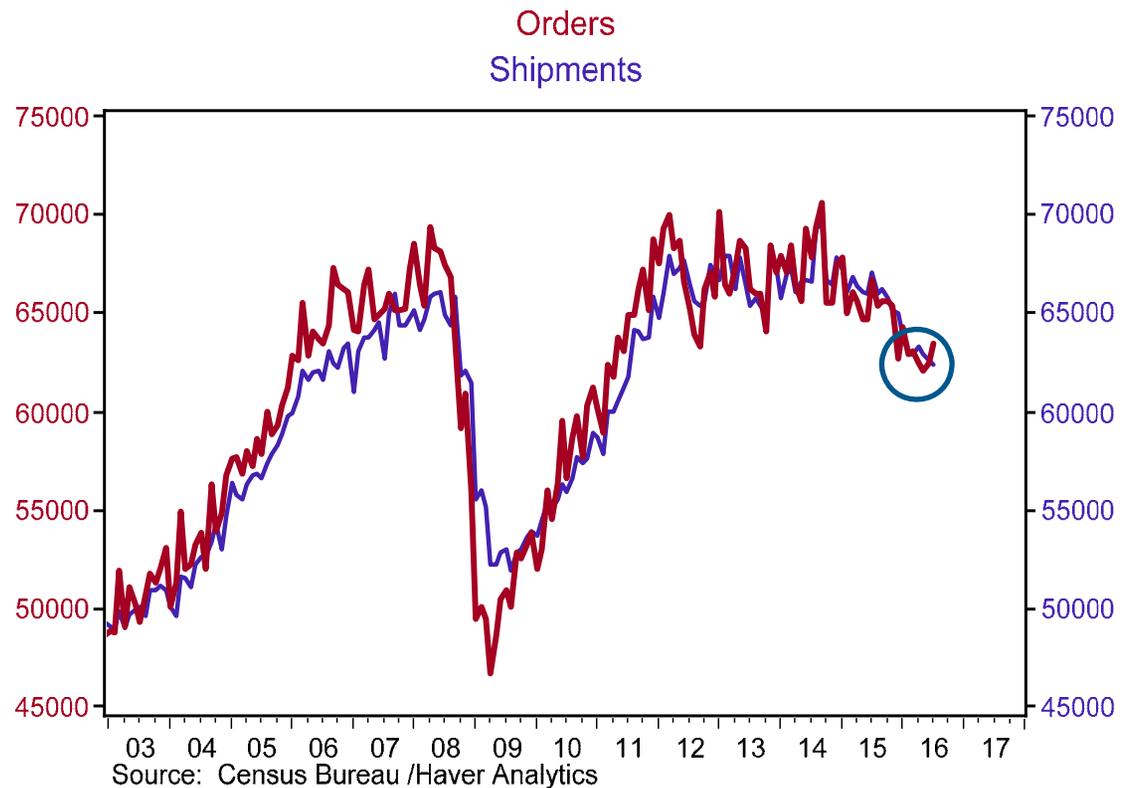
Capex Out of the Icebox?

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Is icy business investment finally thawing after three successive quarterly declines? A solid upturn in capital goods orders in July suggests yes, though softness in shipments gives reason for pause. For now, we can exhale, as capex at least stands a chance of supporting quarterly GDP growth for the first time in a year.



U.S. Nondefense Capital Goods (ex-aircraft, millions US\$, SA)



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