

Mario & Luigi

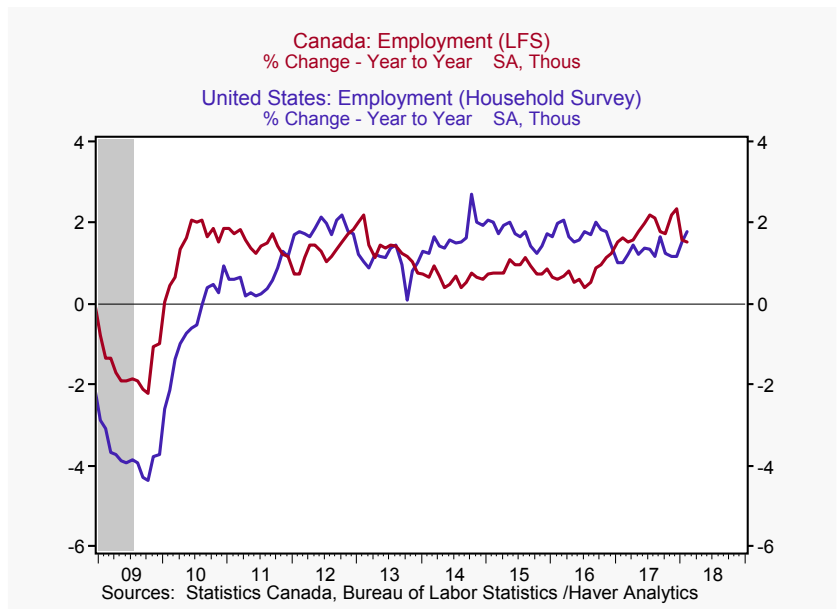
Equity markets rallied this week alongside a mix of economic and political developments. The S&P 500 rose 3.5%, with all sectors posting gains. Industrials and financials led, while utilities and consumer staples (i.e., classic defensives) lagged. While President Trump grabbed most of the headlines with the announced tariffs on steel and aluminum (NAFTA partners spared for now), Europe quietly saw some noteworthy developments as well. The ECB and President Draghi tweaked their forward guidance ever so slightly, dropping the option to raise asset purchases—a minor step, but continuing the theme of major central banks moving away from large-scale asset purchases. And, the Italian election saw the populist Luigi Di Maio grab the biggest vote haul, setting up a period of uncertainty there.

Back in the economy, the U.S. labour market kept on rolling in February, with nonfarm payrolls surging by 313k, well above expectations, along with 54k in net upward prior-month revisions to boot. The jobless rate held steady at 4.1%, but only after a 3-tick increase in the participation rate that saw more than 800k people shift into the labour force. From a supply-side growth perspective, this is good news. In fact, the jump in labour supply likely helped dampen wage growth, which was one of the only weak spots of the report, slowing to 2.6% y/y from 2.8% y/y in January. For equity investors, this is a bullish outcome suggesting strong growth but no excessive inflation pressure. For the Fed, we believe this supports a March rate hike, and keeps us comfortable with a one-per-quarter pace through 2018.

Market Performance as of March 9, 2018

	Current Price	Performance (percent)					
		1 Week	1 Month	3 Months	1 Year	YTD	2017
NASDAQ	7,561	4.2	10.0	10.5	29.5	9.5	28.2
DAX	12,347	3.6	2.0	-6.1	3.1	-4.4	12.5
S&P 500	2,787	3.5	6.4	5.1	17.8	4.2	19.4
Dow Jones	25,336	3.3	4.7	4.1	21.5	2.5	25.1
CAC 40	5,274	2.7	3.8	-2.3	5.9	-0.7	9.3
China CSI 300	4,109	2.3	7.0	2.6	19.9	1.9	21.8
FTSE 100	7,225	2.2	1.9	-2.3	-1.2	-6.0	7.6
NIKKEI 225	21,469	1.4	0.4	-5.9	11.1	-5.7	19.1
S&P/TSX	15,578	1.3	3.6	-3.2	0.5	-3.9	6.0

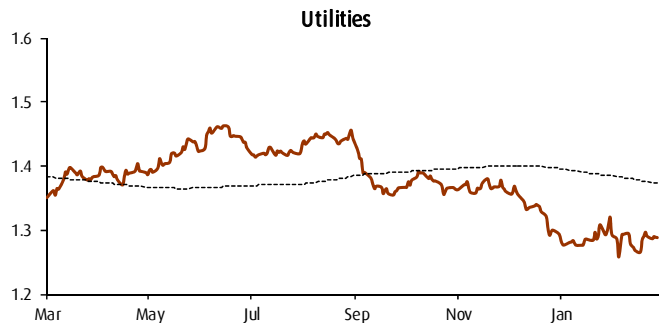
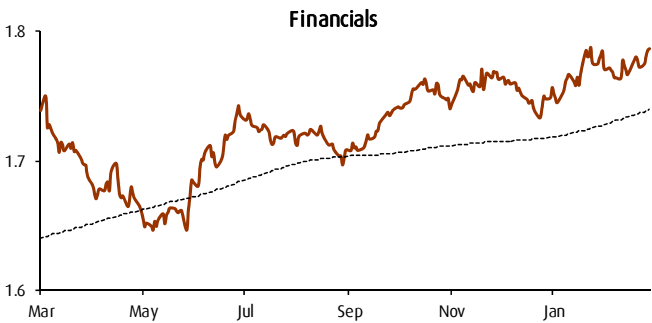
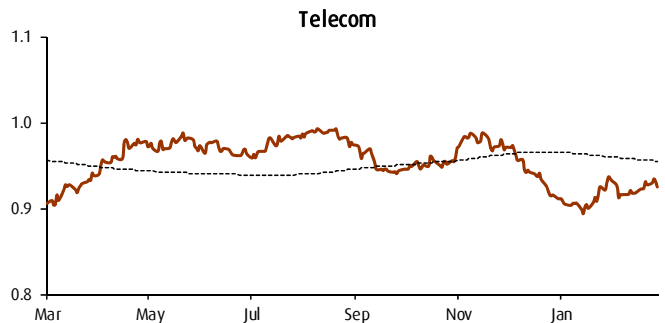
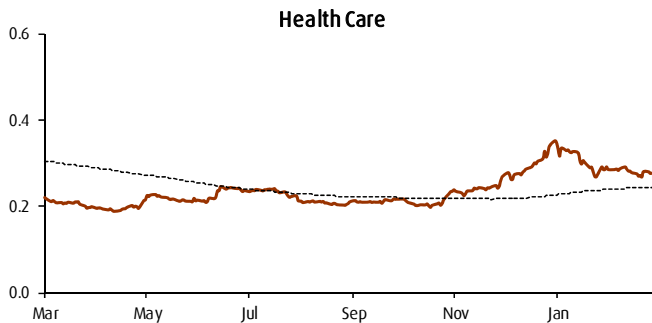
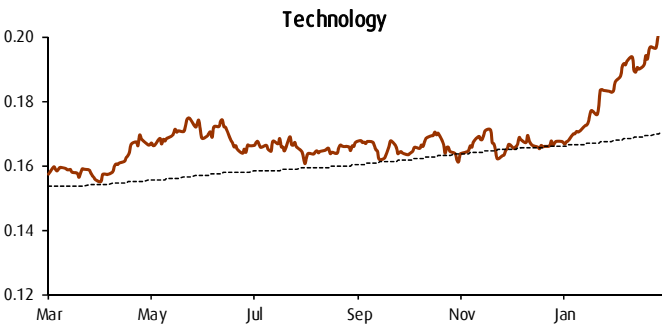
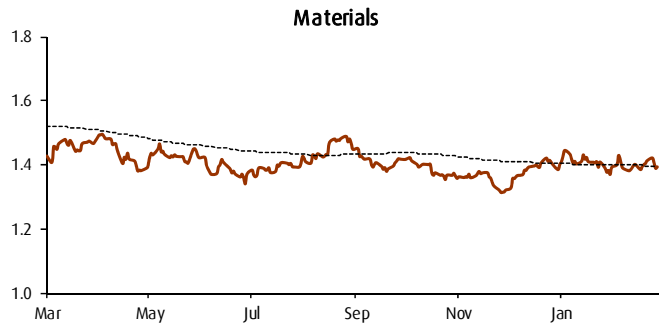
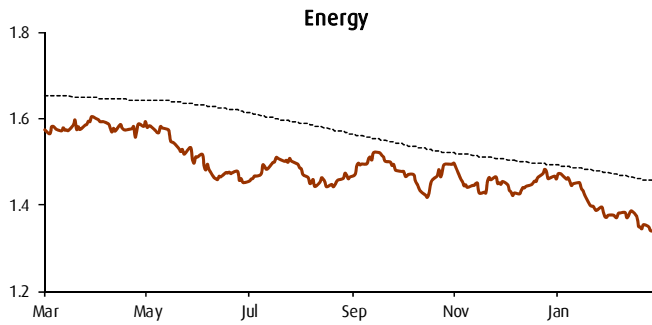
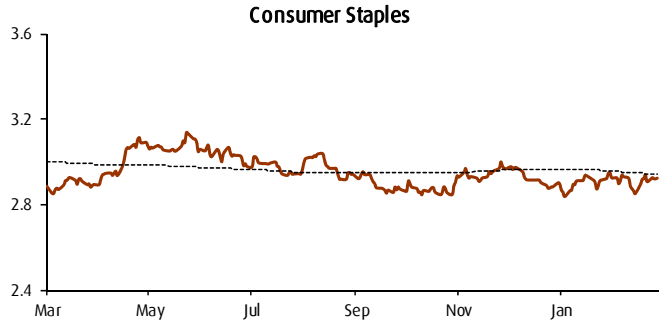
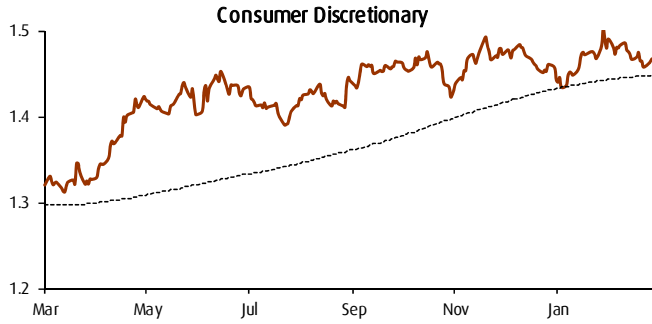
Source: Bloomberg.



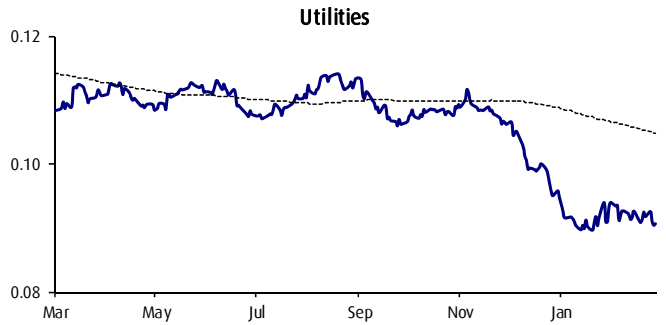
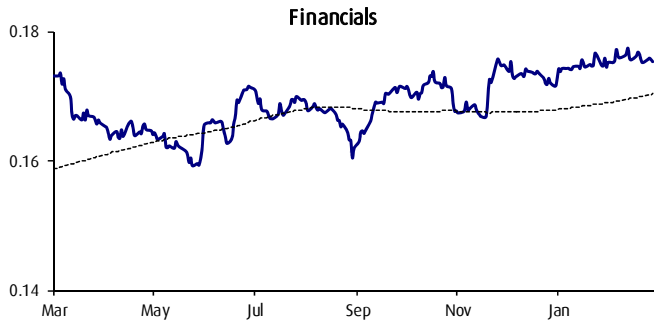
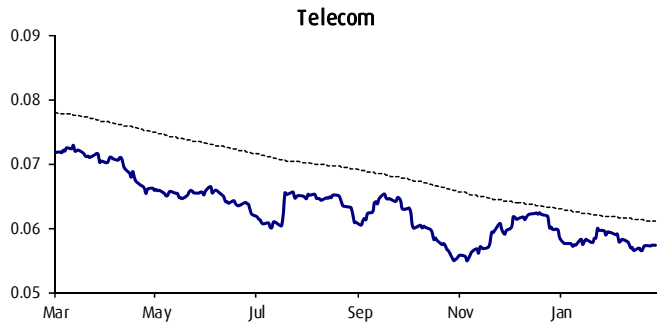
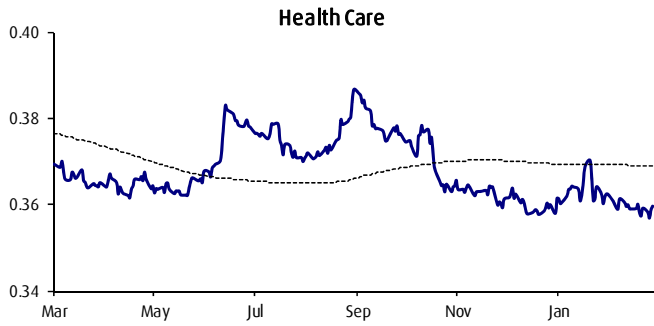
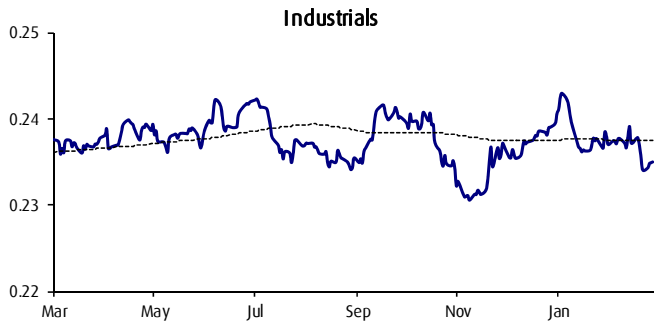
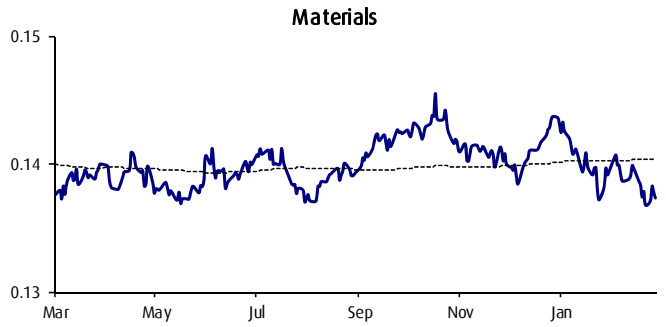
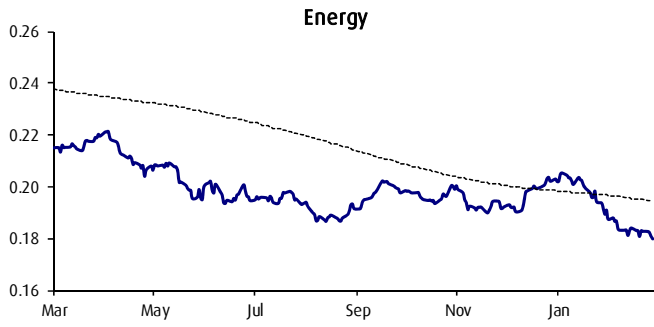
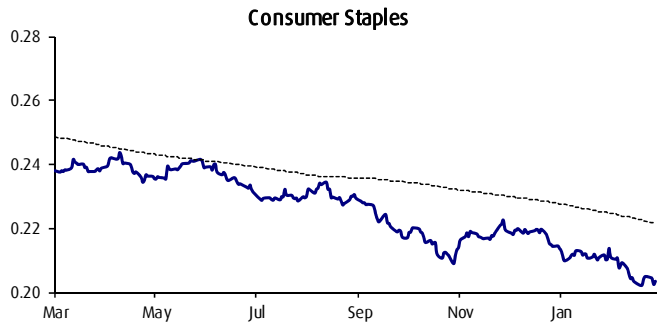
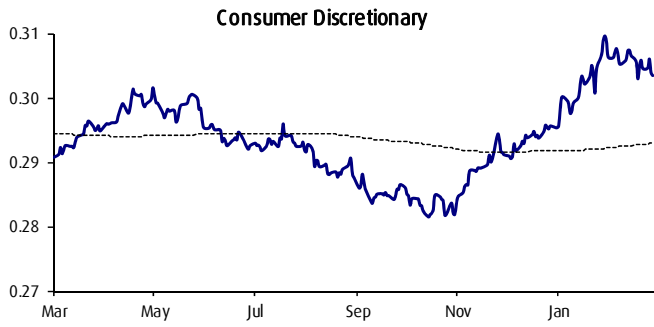
Meantime, the Bank of Canada sounded somewhat cautious this week (as expected) given slowing credit growth and the uncertainties on the trade front. The Bank left rates unchanged (widely expected), and will likely stay on hold through the middle of the year, assuming the data don't flare up again. If this week's run was any indication—weak trade, trend-like job growth and still-correcting Toronto housing market—that doesn't seem likely.

But, we also saw capacity utilization strike a decade high, which supports the bias to tighten over time. For equity investors, the TSX faces the reality of softer growth, less-than-friendly relative policy dynamics (be it on the fiscal or trade fronts), and an increasingly challenged domestic oil market. So far this year, the index hasn't shown any sign of reversing its underperforming path.

TSX Sector Performance (Relative to the index, dashed line = 200-day m.a.)



S&P 500 Sector Performance (Relative to the index, dashed line = 200-day m.a.)



North American Sector Performances as of March 9, 2018

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2017
Industrials	4.4	5.9	4.7	17.4	3.1	18.5
Financials	4.4	7.2	6.2	19.8	6.1	20.0
Information Technology	4.3	11.5	11.7	37.8	11.2	36.9
Materials	4.1	4.7	3.2	17.9	1.1	21.4
Health Care	3.4	5.3	4.3	14.4	4.5	20.0
Banks	3.3	6.2	7.5	19.6	6.9	20.0
Cons Discretionary	3.0	5.2	9.4	22.5	7.5	21.2
Energy	2.1	2.3	-1.5	-1.6	-5.9	-3.8
Telecom Services	1.8	1.0	-0.7	-7.2	-5.5	-6.0
Cons Staples	1.7	1.4	-3.5	-0.3	-4.5	10.5
Utilities	0.8	1.1	-11.6	-2.4	-6.9	8.3
S&P 400 Mid Cap	3.8	7.0	3.1	14.4	2.6	14.5
S&P 100 Large Cap	3.4	6.0	5.0	16.8	3.9	19.3
S&P 600 Small Cap	2.4	5.8	2.9	15.5	2.0	11.7
S&P 500	3.5	6.4	5.1	17.8	4.2	19.4

TSX Sectors

Information Technology	3.9	13.6	17.7	29.5	16.6	16.2
Health Care	3.8	-2.2	1.5	27.7	-11.5	32.7
Financials	1.8	3.7	-2.2	2.3	-1.7	9.4
Banks	1.8	4.5	-0.5	3.1	-0.4	10.4
Cons Discretionary	1.2	2.5	-4.2	12.3	-3.6	20.4
Cons Staples	1.0	3.1	-4.5	2.4	-3.3	6.4
Energy	0.8	1.2	-10.5	-14.5	-11.5	-10.0
Telecom Services	0.8	2.7	-7.4	2.2	-5.3	9.9
Utilities	0.5	1.0	-8.7	-3.9	-7.4	6.2
Industrials	0.5	5.1	-1.2	11.5	-1.4	17.9
Materials	0.3	5.2	2.4	0.3	-3.9	6.3
Gold	-1.1	-0.9	-6.2	-15.3	-11.2	-2.6
REITs	1.4	3.7	-0.1	3.6	-0.6	3.8
Income Trusts	1.3	3.2	-1.9	1.9	-2.7	4.5
S&P/TSX 60 Large Cap	1.3	3.6	-3.8	0.4	-4.0	6.6
S&P/TSX Small Cap	1.2	2.2	-2.6	-3.5	-6.3	0.3
S&P/TSX Mid Cap	1.1	3.5	-1.3	1.1	-3.7	4.2
TSX	1.3	3.6	-3.2	0.5	-3.9	6.0

Source: Bloomberg.

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