

## Light Sweet Crude 0' Mine

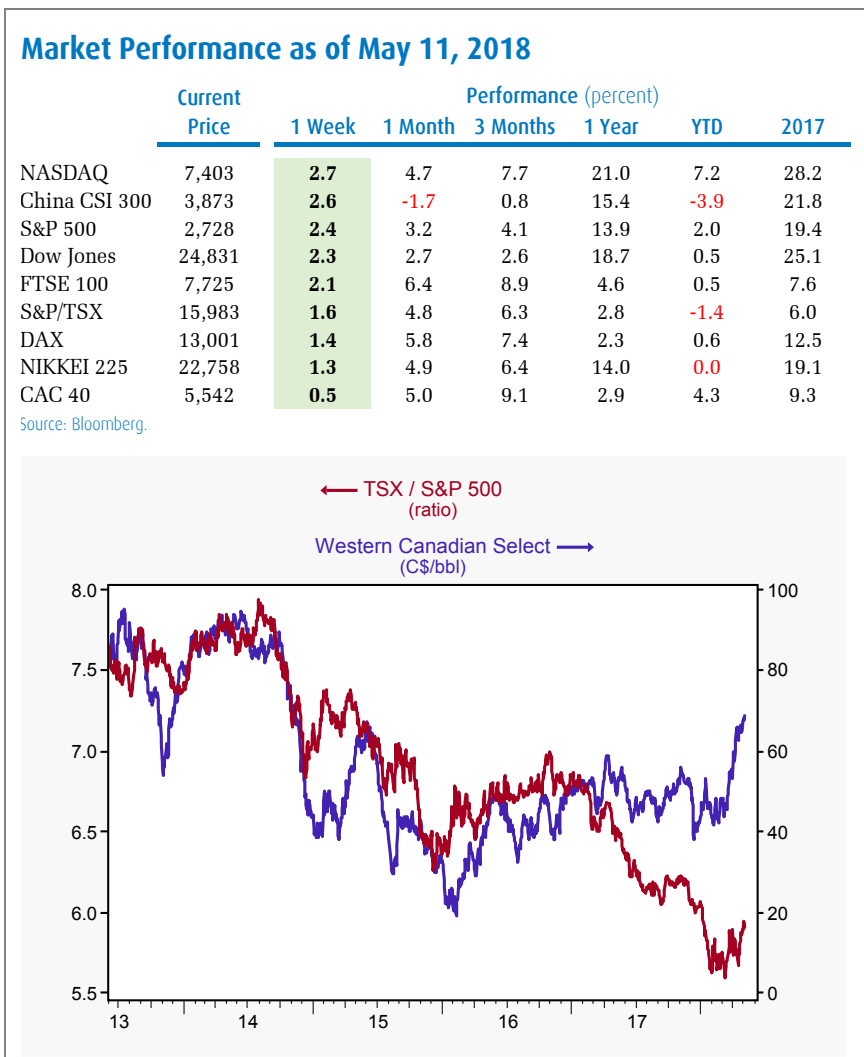
Equity markets rallied this week, with little in the way of major market-moving data. The S&P 500 rose 2.4%, with widespread strong gains across financials, energy and technology. The index broke comfortably above its 50-day moving average, and looks to have forged an upward path out of the tight range it had been consolidating in since early in the year. The April U.S. CPI report was probably the headline piece of data, and core inflation came in lighter than expected at 2.1% y/y. The shorter-term metrics also slowed, reinforcing the stability of inflation around the central bank's target, at least for now—the labour market is steadily tightening, no doubt.

Meantime, the TSX underperformed, gaining 1.6% on the week despite rising oil prices. WTI prices broke above \$70 for the first time since they were gapping lower during the worst of the oil price shock in late-

2014, amid word that the U.S. was pulling out of the Iran nuclear deal. Elsewhere, Europe and Japan posted sturdy gains in excess of 1%, and all major developed markets on our leaderboard are again in positive territory on the year—with the exception of the TSX, of course.

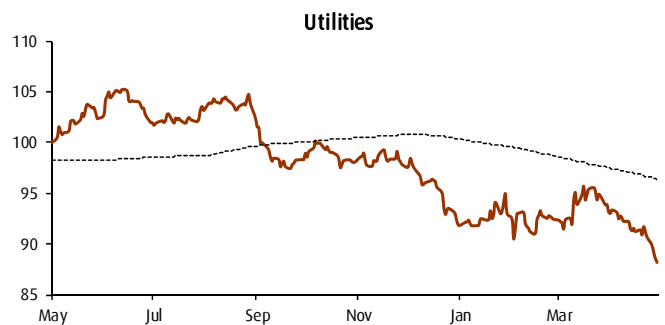
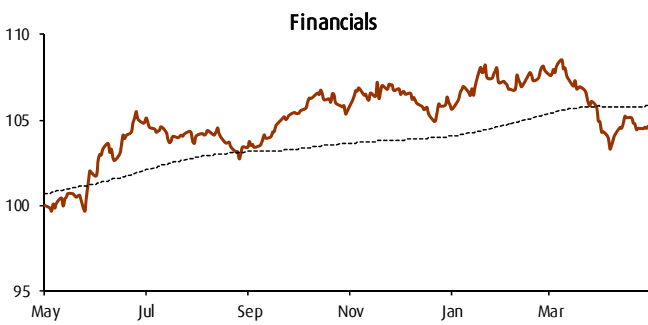
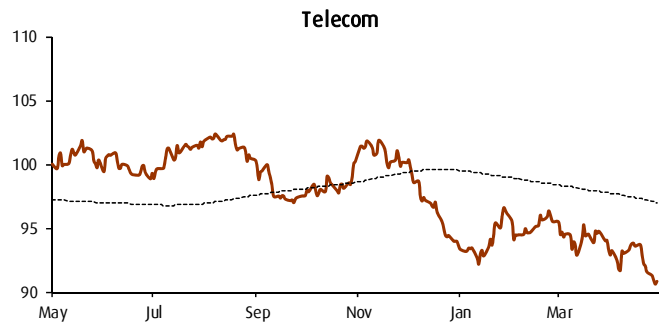
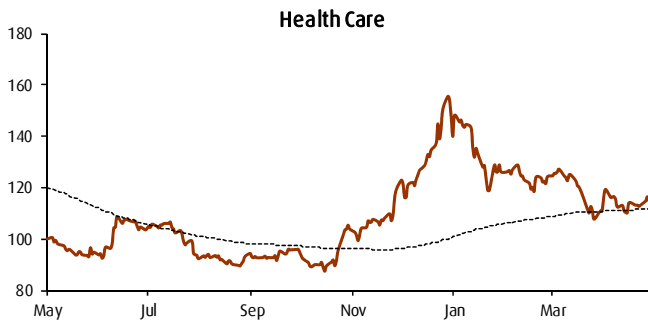
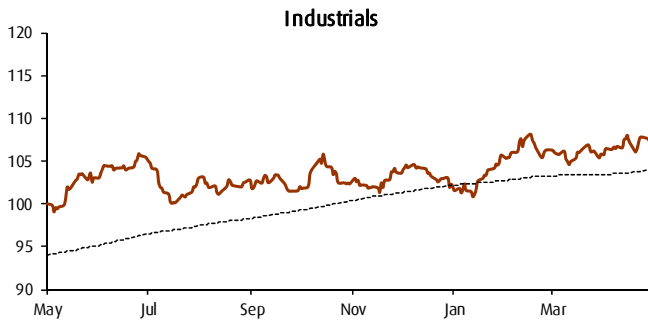
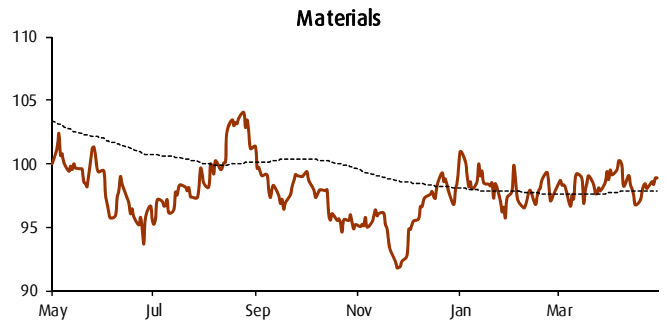
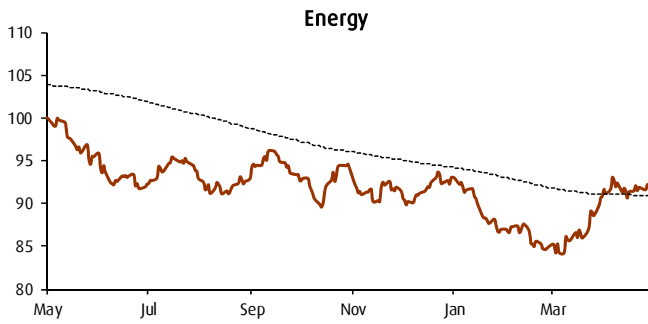
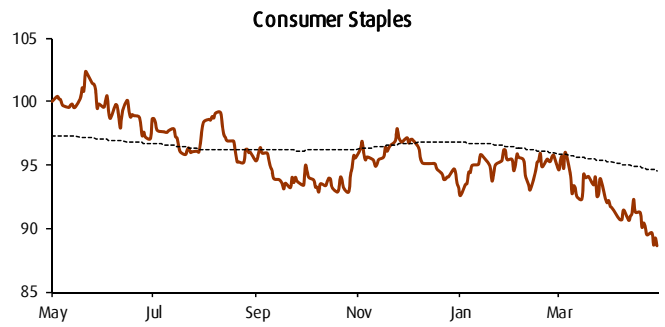
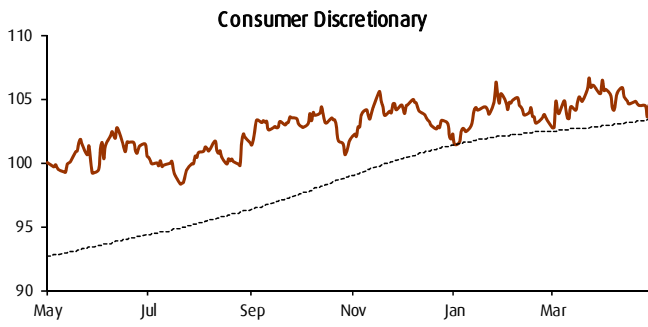
Strong oil prices have done little to help relative TSX performance. Not only has WTI pushed above \$70, but the WCS discount has narrowed too, lifting prices for Canadian producers (even in C\$ terms). Indeed, WCS is up a whopping 65% in C\$ terms so far this year. While relative Canadian equity performance has historically tracked this oil price measure very well, the relationship began to fall apart around the middle of last year.

To be fair, Canadian energy stocks are up roughly 7% in the past month, almost matching their U.S. counterparts as the best performing sector in North America. But, they're still down about 5% from a year ago. Pipeline capacity concerns probably haven't helped; and we've also seen strength in areas such as technology and consumer discretionary, sectors that are well underrepresented in the

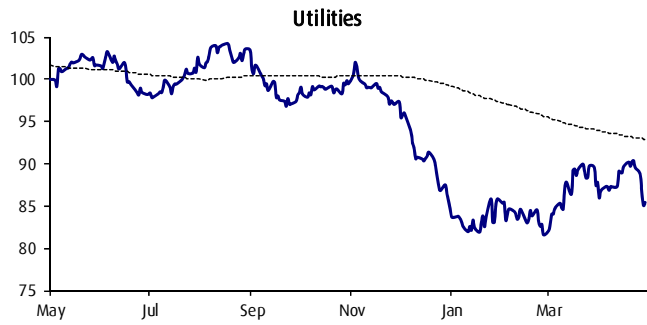
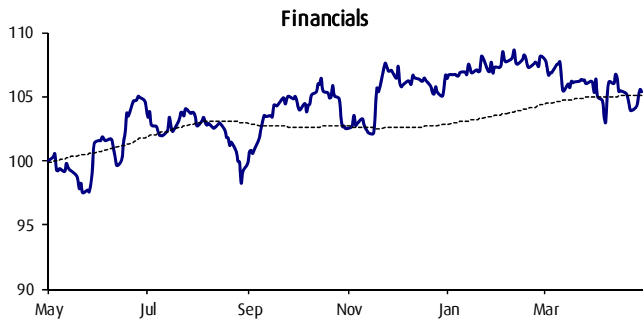
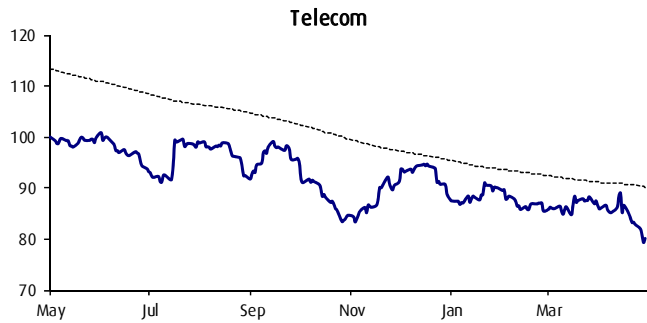
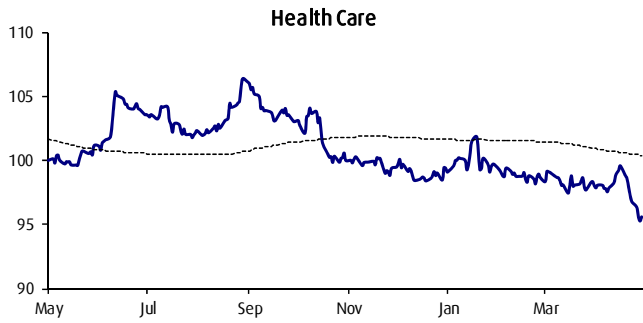
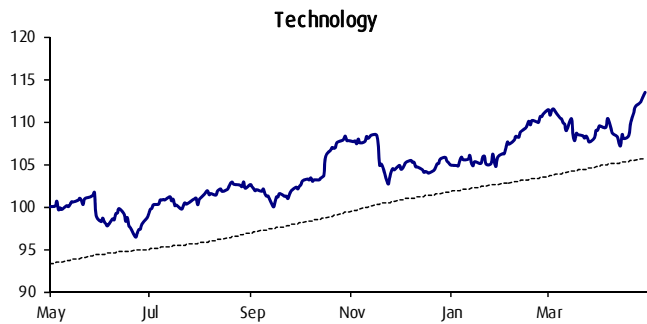
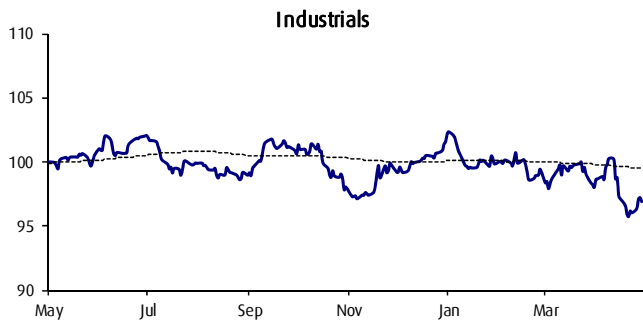
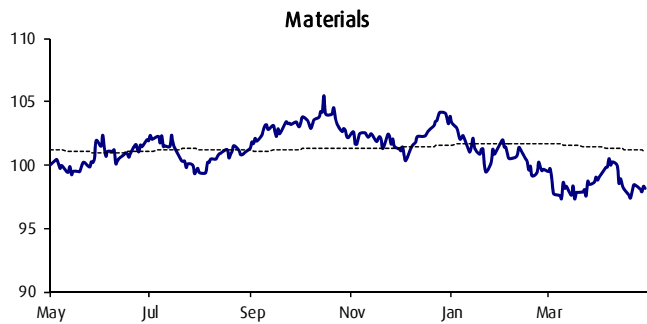
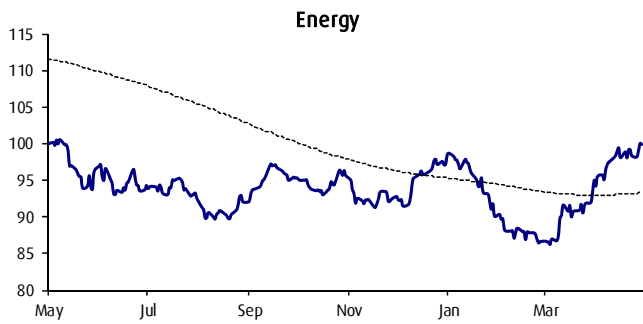
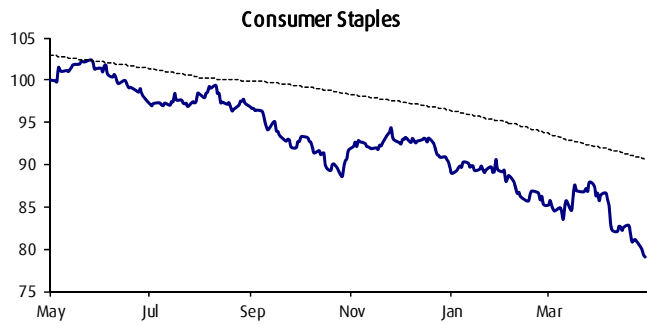
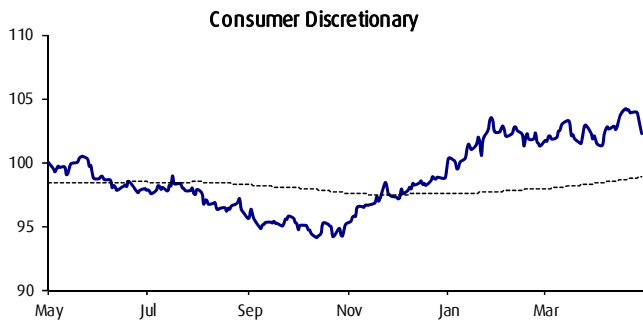


Canadian index. Looking ahead, we expect oil prices to ease slightly over the next 18 months, with WTI averaging \$65 in 2019. That would come as recent political tension eases, and flowing U.S. production, which is now running north of 10 mln barrels per day.

**TSX Sector Performance** (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



**S&P 500 Sector Performance** (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



## North American Sector Performances as of May 11, 2018

<b>S&amp;P 500 Sectors</b>	<b>1 Week</b>	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>YTD</b>	<b>2017</b>
Banks	4.7	3.7	1.1	20.5	1.8	20.0
Energy	3.8	8.3	15.1	13.3	6.0	-3.8
Financials	3.6	3.0	2.0	19.4	0.9	20.0
Information Technology	3.5	6.9	11.1	29.2	10.8	36.9
Industrials	3.4	2.1	1.1	9.9	-1.6	18.5
Health Care	2.5	2.0	1.2	10.3	0.4	20.0
Materials	1.9	2.3	0.7	11.6	-2.7	21.4
Telecom Services	0.9	-2.7	-5.6	-6.9	-11.7	-6.0
Cons Discretionary	0.8	3.5	4.0	16.5	6.3	21.2
Cons Staples	-0.5	-6.0	-8.2	-10.3	-13.6	10.5
Utilities	-2.3	0.5	3.6	-2.0	-4.6	8.3
S&P 600 Small Cap	2.8	3.6	9.2	16.7	5.3	11.7
S&P 100 Large Cap	2.6	3.4	3.5	13.5	1.4	19.3
S&P 400 Mid Cap	2.2	3.0	6.5	12.2	2.0	14.5
<b>S&amp;P 500</b>	<b>2.4</b>	<b>3.2</b>	<b>4.1</b>	<b>13.9</b>	<b>2.0</b>	<b>19.4</b>

### TSX Sectors

Health Care	5.4	10.4	-3.5	20.8	-12.7	32.7
Energy	2.3	6.9	13.5	-4.8	-0.7	-10.0
Banks	2.3	4.7	3.5	10.3	-1.3	10.4
Materials	2.1	4.3	9.8	2.4	0.3	6.3
Financials	1.8	4.5	3.0	7.3	-2.4	9.4
Information Technology	1.7	11.6	14.5	21.6	17.4	16.2
Cons Discretionary	1.3	3.5	5.8	6.7	-0.5	20.4
Industrials	0.9	5.6	8.2	9.6	1.5	17.9
Telecom Services	0.4	1.3	0.3	-6.8	-7.6	9.9
Cons Staples	-0.1	0.8	-2.1	-8.8	-8.1	6.4
Gold	-0.1	2.4	8.0	-13.1	-3.2	-2.6
Utilities	-1.8	-1.6	-1.2	-9.5	-9.5	6.2
REITs	2.7	3.0	7.1	4.2	2.7	3.8
Income Trusts	1.4	1.4	3.6	-0.7	-2.3	4.5
S&P/TSX 60 Large Cap	1.9	5.3	6.6	3.3	-1.3	6.6
S&P/TSX Small Cap	0.7	4.3	7.1	-0.1	-1.8	0.3
S&P/TSX Mid Cap	0.6	2.9	5.5	1.1	-1.8	4.2
<b>TSX</b>	<b>1.6</b>	<b>4.8</b>	<b>6.3</b>	<b>2.8</b>	<b>-1.4</b>	<b>6.0</b>

Source: Bloomberg.

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