

Fruit of the Boom

“Lieutenant Dan got me invested in some kind of fruit company. So then I got a call from him, saying we don't have to worry about money no more.” (Forrest Gump)

Equity markets posted modest gains this week, with little market reaction to two major economic events in the U.S.—the Fed and payrolls. The S&P 500 rose 0.8%, with gains in telecom and healthcare offsetting a decline in energy. This index is still tucked below its January high, but momentum has clearly improved heading into mid-summer, with technology and consumer discretionary (double-digit gains) steering the ship. Indeed, Apple famously topped the \$1 trillion market value mark this week, highlighting the powerful run in the large-cap technology names. But, keep in mind that, while other large-cap sectors in the S&P 500 have struggled this year (namely, industrials, consumer staples and financials), the S&P small cap index is up a solid 13%, almost matching the gain in S&P 500 technology. Meantime, the TSX added 0.2% this

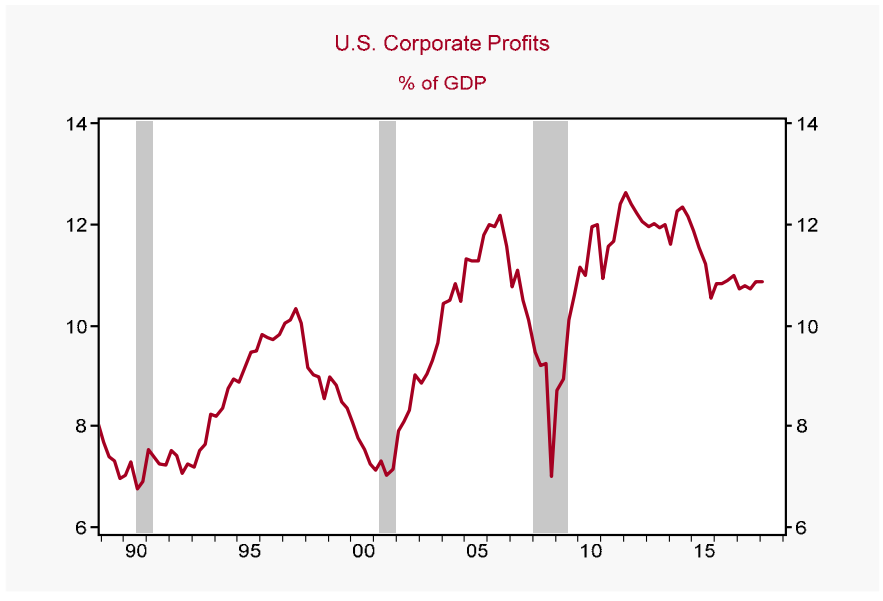
week, with solid May GDP and June trade reports prompting us to revise up our Q2 growth call, to 3.3% from 2.4% previously—this should give the BoC something to talk about at their September meeting.

The Federal Reserve left interest rates unchanged this week, as was widely expected, but pretty clearly set the stage for a September move. This was probably one of the most uneventful press statements in recent memory, save for the boundless use of the “strong” adjective. Indeed, “strong”, “strengthen” and “strongly” were used six times in the statement, and no fewer than four times in the opening paragraph—namely to describe the labour market, business investment and overall economic conditions. Suffice it to say that a September rate hike is fully in the cards. Meantime, the July employment report was bit light on the headline, but firm in the details. Nonfarm payrolls rose a smaller-than-expected 157k in the month, as declines in government and transport cut

Market Performance as of August 3, 2018

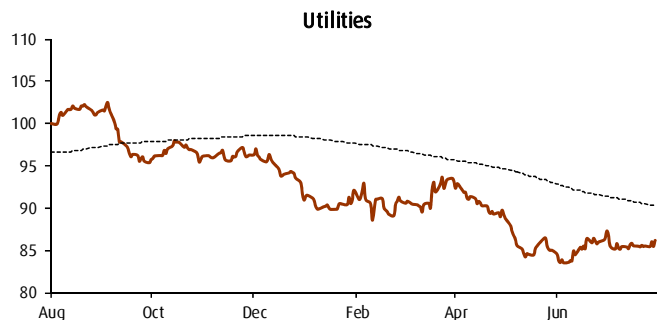
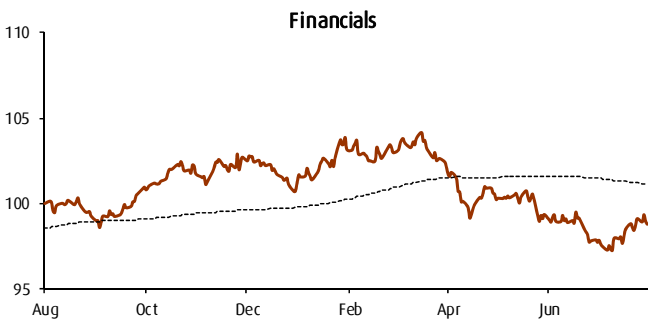
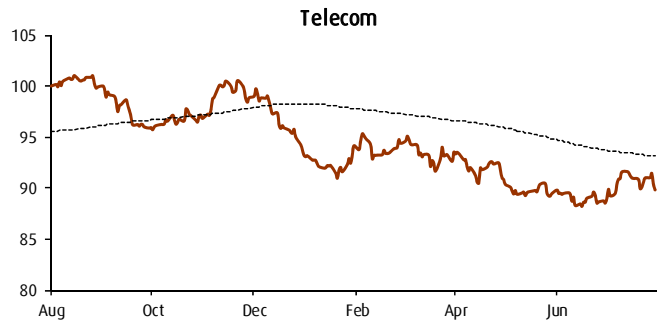
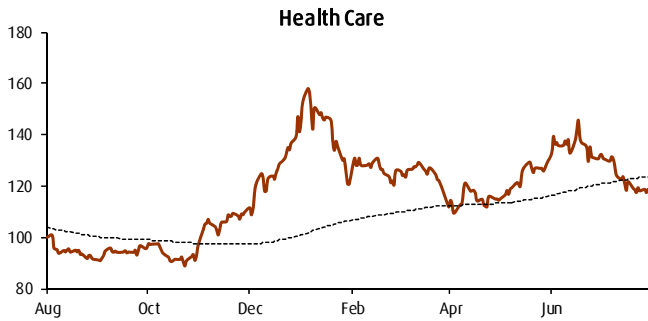
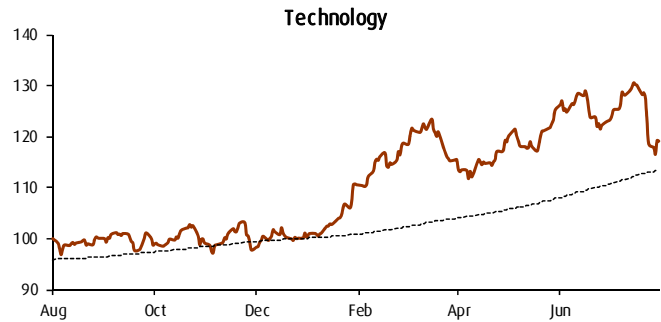
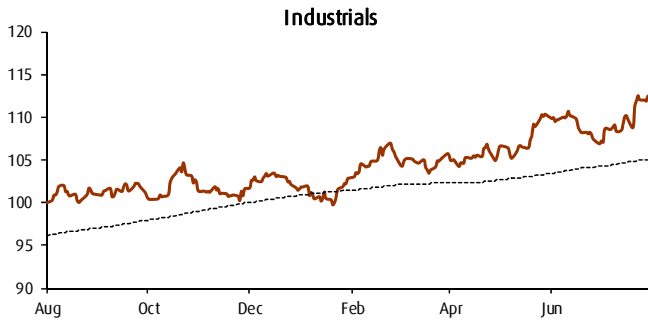
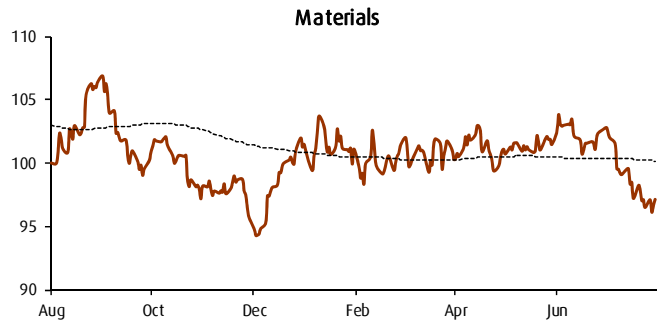
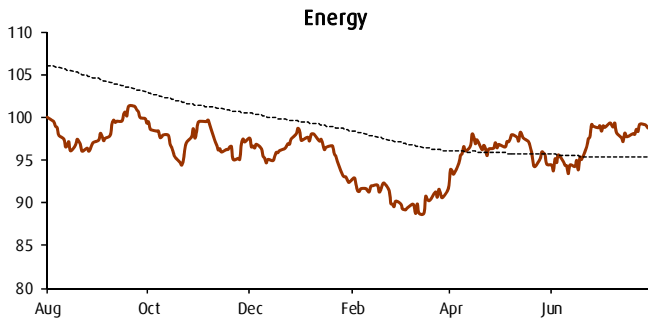
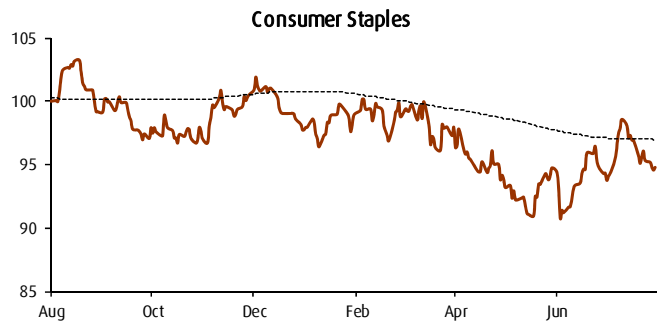
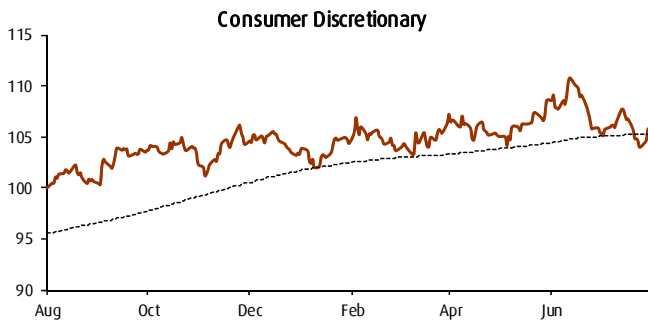
	Current Price	Performance (percent)					
		1 Week	1 Month	3 Months	1 Year	YTD	2017
NASDAQ	7,812	1.0	4.1	10.2	23.2	13.2	28.2
S&P 500	2,840	0.8	4.7	8.0	14.9	6.2	19.4
S&P/TSX	16,420	0.2	1.0	5.1	8.1	1.3	6.0
Dow Jones	25,463	0.0	5.3	6.4	15.6	3.0	25.1
FTSE 100	7,659	-0.5	0.9	2.1	2.5	-0.4	7.6
CAC 40	5,479	-0.6	3.1	-0.4	6.8	3.1	9.3
NIKKEI 225	22,525	-0.8	3.4	0.2	12.5	-1.1	19.1
DAX	12,616	-1.9	2.2	-0.6	3.8	-2.3	12.5
China CSI 300	3,315	-5.8	-2.8	-12.6	-11.1	-17.8	21.8

Source: Bloomberg.

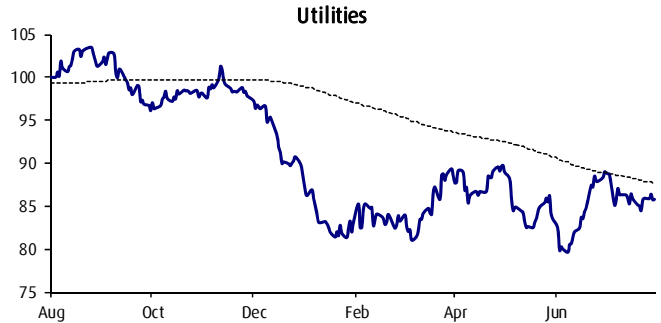
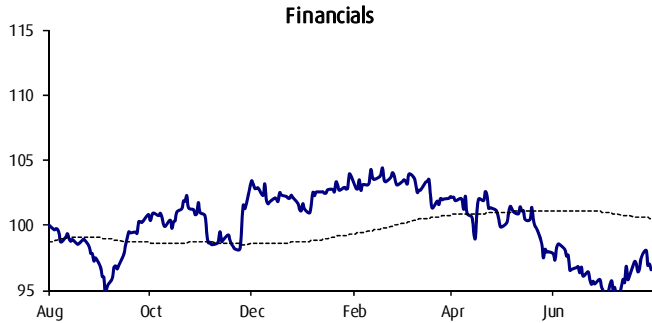
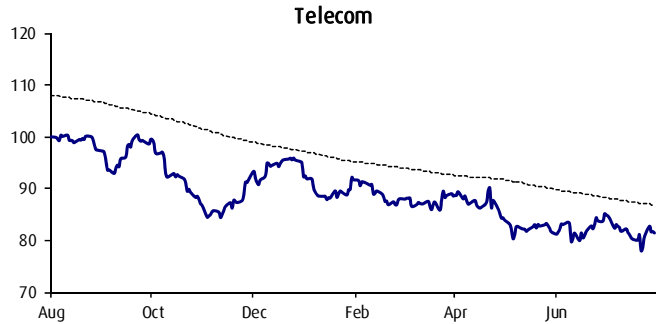
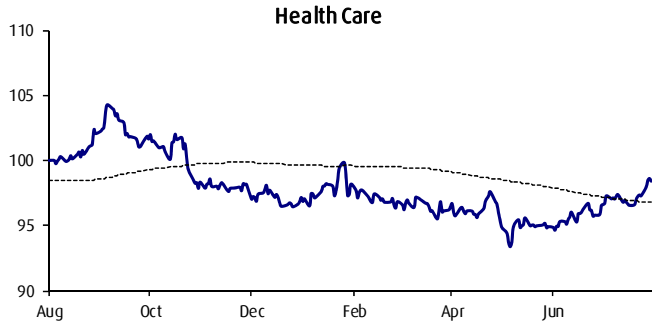
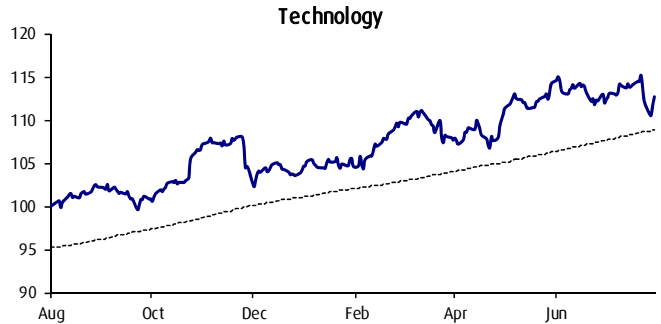
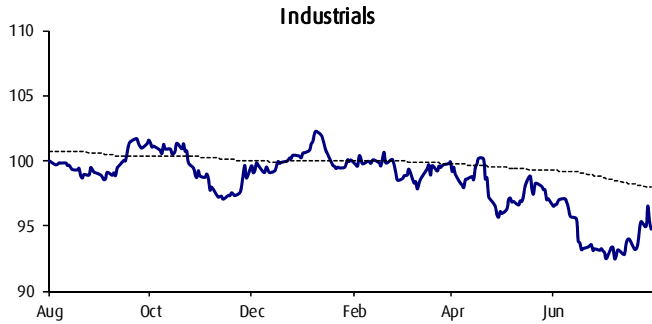
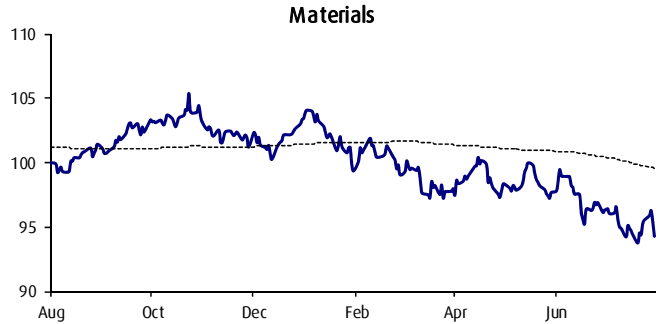
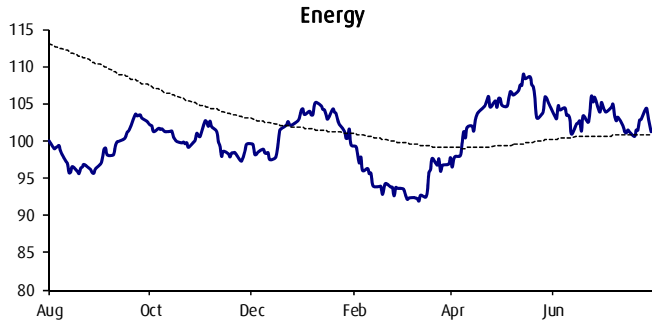
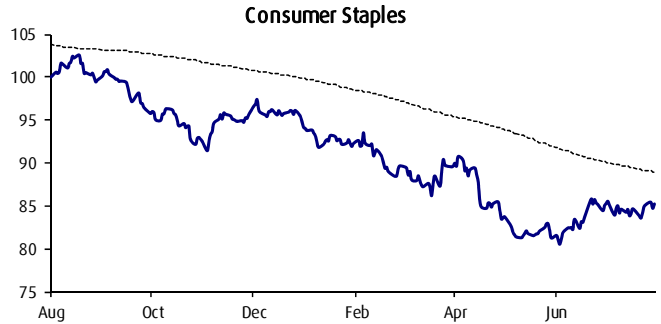
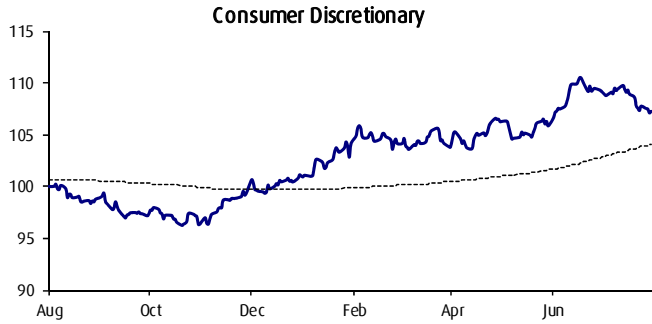


into the headline. But, upward prior-month revisions left the 3-month average gain at a (wait for it) “strong” 224k, while the jobless rate dipped to 3.9%. The broader U6 measure of unemployment also fell to a cycle low of 7.5%. So the tightening cycle is on pace to proceed, and equities don't seem to mind the quarter-per-quarter pace much at all.

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 August 3, 2018

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2017
Telecom Services	2.2	0.6	4.8	-5.7	-9.0	-6.0
Health Care	2.1	6.9	11.7	12.8	8.6	20.0
Cons Staples	1.8	5.7	10.8	-1.8	-5.2	10.5
Utilities	1.2	1.5	3.9	-1.4	1.0	8.3
Information Technology	1.2	5.2	9.9	29.4	15.4	36.9
Banks	0.9	9.6	7.6	17.7	3.7	20.0
Cons Discretionary	0.2	2.7	8.9	22.9	13.3	21.2
Financials	-0.1	6.2	4.5	11.6	0.5	20.0
Materials	-0.2	2.9	4.0	9.1	-2.0	21.4
Industrials	-0.2	6.0	6.1	8.5	-0.1	18.5
Energy	-1.8	-0.1	2.5	15.4	4.2	-3.8
S&P 600 Small Cap	1.6	2.8	11.7	24.3	13.0	11.7
S&P 400 Mid Cap	1.3	2.2	6.8	14.5	5.2	14.5
S&P 100 Large Cap	1.1	5.5	8.9	15.0	6.3	19.3
S&P 500	0.8	4.7	8.0	14.9	6.2	19.4

TSX Sectors

Cons Discretionary	1.2	0.8	5.6	15.4	3.2	20.4
Utilities	1.0	1.0	1.0	-7.1	-7.2	6.2
Energy	0.6	1.0	7.7	7.0	3.4	-10.0
Banks	0.3	2.2	3.8	9.8	-0.1	10.4
Financials	0.2	1.9	3.2	6.8	-1.4	9.4
Materials	0.1	-4.5	1.1	4.1	-1.6	6.3
Industrials	-0.1	5.9	12.0	21.5	10.9	17.9
Telecom Services	-0.4	2.5	4.1	-2.6	-4.7	9.9
Health Care	-0.8	-8.7	8.1	27.0	-10.8	32.7
Cons Staples	-1.1	1.6	5.9	2.2	-2.9	6.4
Gold	-1.3	-9.4	-4.9	-9.4	-8.3	-2.6
Information Technology	-2.7	-2.0	5.2	28.6	20.9	16.2
REITs	2.2	1.5	6.6	11.0	5.9	3.8
Income Trusts	1.5	2.4	5.8	5.7	1.6	4.5
S&P/TSX 60 Large Cap	0.2	1.5	5.9	8.9	1.7	6.6
S&P/TSX Mid Cap	0.2	-0.6	2.8	5.5	-0.1	4.2
S&P/TSX Small Cap	-0.3	-1.0	-0.3	4.1	-3.7	0.3
TSX	0.2	1.0	5.1	8.1	1.3	6.0

Source: Bloomberg.

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