

Running Into Resistance

Equity markets slumped this week, with the S&P 500 down 1% and the Nasdaq giving up 2.6%, both pulling back from record highs. While technology was a drag, defensive sectors held up well, notching modest gains in the U.S. The TSX fell 1.1%, and after a solid run through the first half of the year, has settled back into its lagging ways, at least versus the S&P 500. Since the end of June, Canadian stocks are down slightly, while the S&P has gained about 6%. A few things have weighed: Gold stocks have been hammered; the oil price momentum through the first half of the year has faded, particularly for WCS as the differential has widened out again; and, NAFTA talks deteriorating haven't helped. For what it's worth, the biggest negative point contributor to the TSX since June, outside of the gold sector, has been Magna (auto parts).

On the data front, the August U.S. payrolls report was solid, with a better-than-expected 201,000 job gain in the month (but tempered by the negative prior-month revisions). Regardless, job growth through the first eight months of the year has averaged a rock solid 207k per month, showing no sign of letting up. In fact, the monthly average dating back to the start of 2010 is also right around 200k. Most notably, wage growth popped more than expected to 2.9% y/y, the fastest clip since May 2009 (i.e., a cycle high). All told, this is the stuff of continued Fed tightening, and we still look for a rate hike on September 26th.

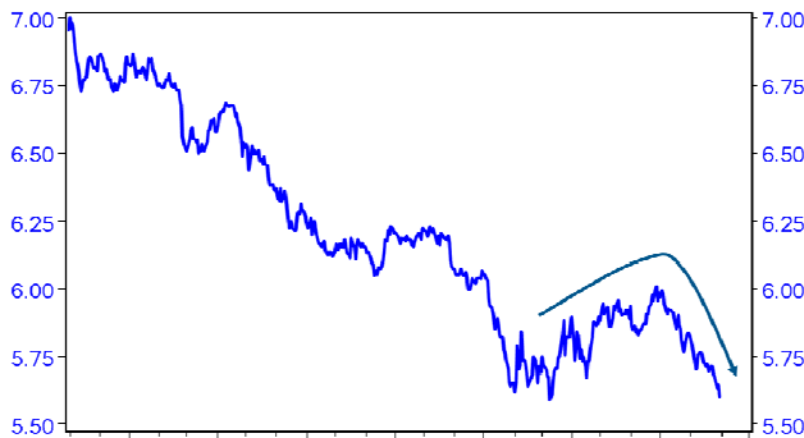
Elsewhere, European and Asian markets were the worst performers this week, with trade concerns and a soft run of data weighing. Manufacturing PMIs from many of the major countries were released, and most are falling quickly. In China, the private sector survey fell to a 14-month low in August. In Japan, the manufacturing PMI was just up from July's 11-month low. Mexico hit a 10-month low in August. The Euro Area saw the lowest reading in 21 months. And, in the U.K., it fell 2 pts in August, missing expectations and hitting the lowest since July 2016. So all in, we're still seeing growth with these readings all above the 50 mark, but global factory activity is clearly moderating. That's consistent with our view that peak global growth is likely behind us, slowing to 3.5% next year after 3.8% in 2017 and (currently expected) 2018.

Market Performance as of September 7, 2018

	Current Price	Performance (percent)					2017
		1 Week	1 Month	3 Months	1 Year	YTD	
Dow Jones	25,917	-0.2	1.1	2.7	19.0	4.8	25.1
S&P 500	2,872	-1.0	0.5	3.7	16.5	7.4	19.4
S&P/TSX	16,090	-1.1	-1.2	-0.6	7.1	-0.7	6.0
China CSI 300	3,278	-1.7	-2.7	-14.4	-14.4	-18.7	21.8
FTSE 100	7,278	-2.1	-5.7	-5.5	-1.6	-5.3	7.6
NIKKEI 225	22,307	-2.4	-1.6	-2.3	15.0	-2.0	19.1
NASDAQ	7,903	-2.6	0.2	3.5	23.5	14.5	28.2
CAC 40	5,252	-2.9	-4.9	-3.6	2.7	-1.1	9.3
DAX	11,960	-3.3	-5.4	-6.6	-2.7	-7.4	12.5

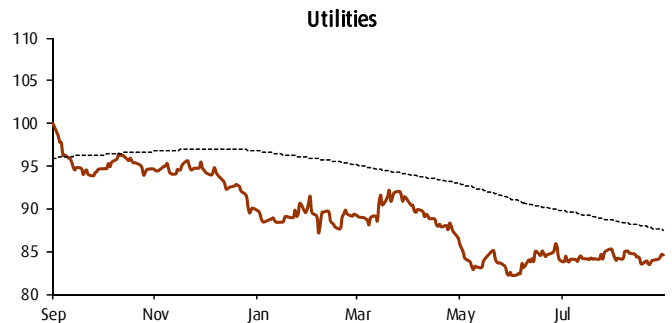
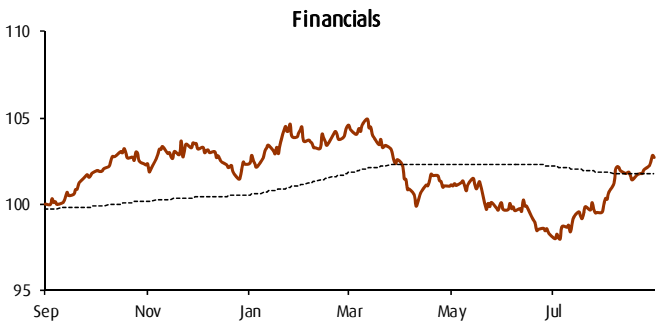
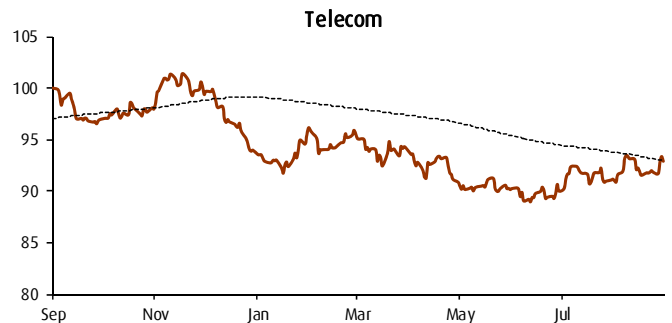
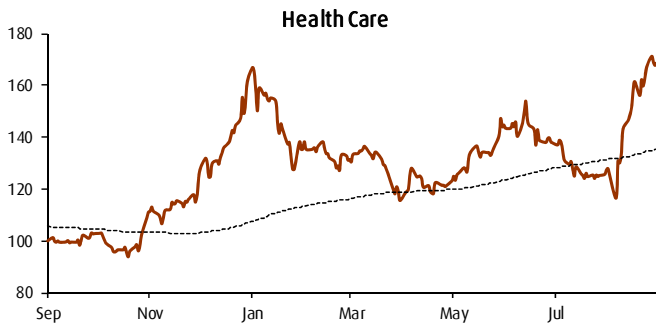
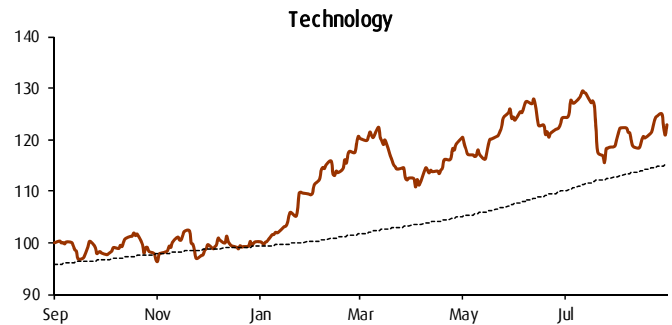
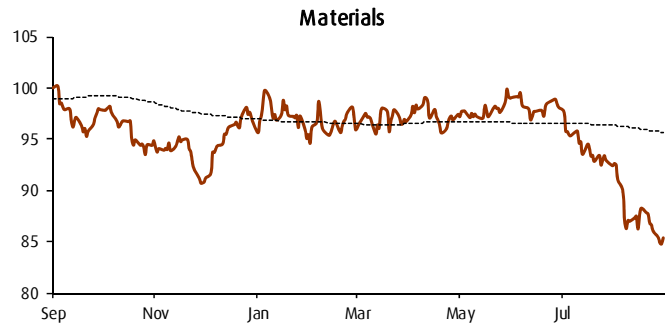
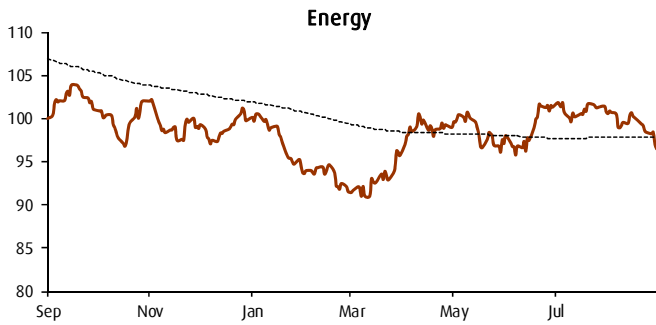
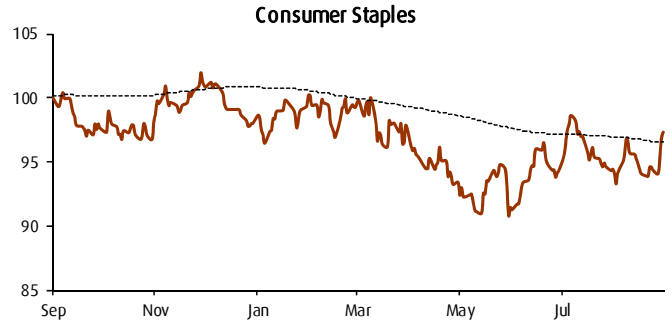
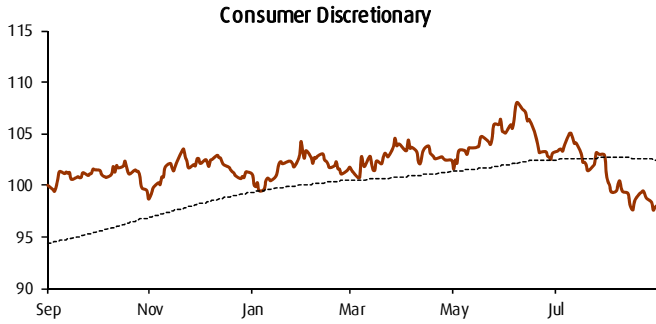
Source: Bloomberg

TSX / S&P 500 (ratio)

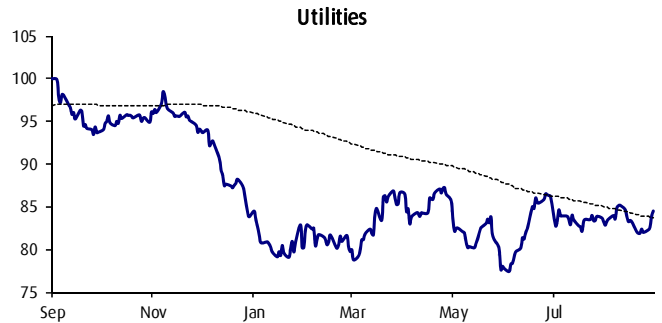
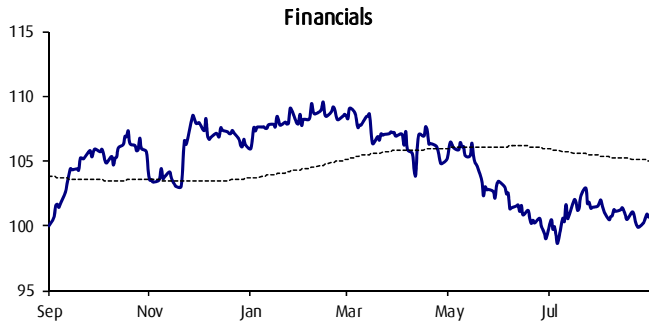
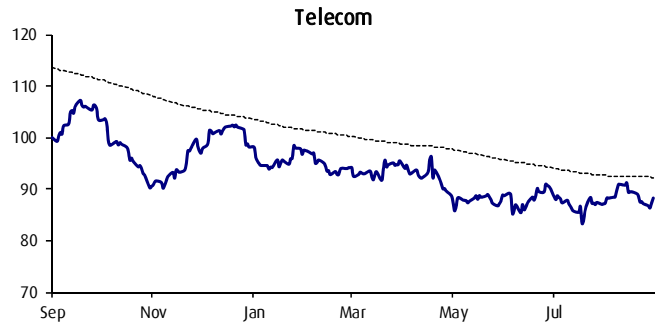
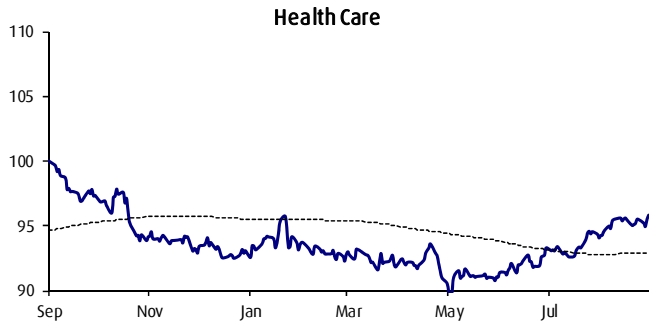
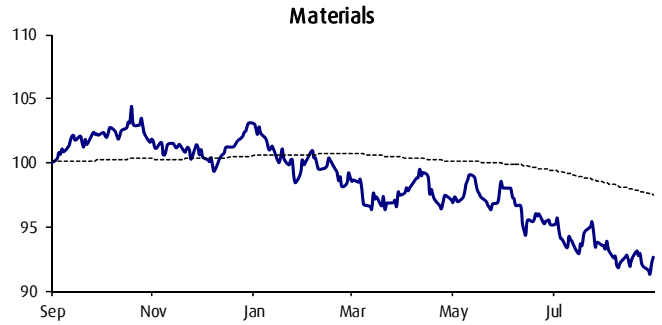
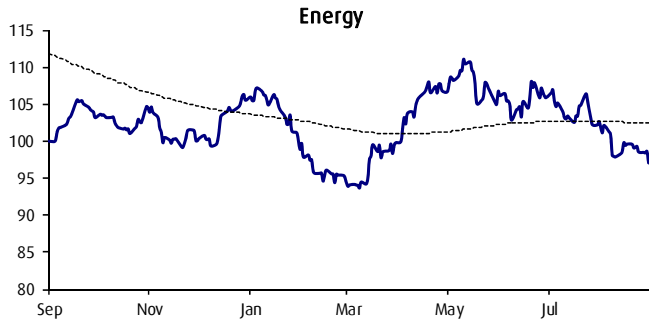
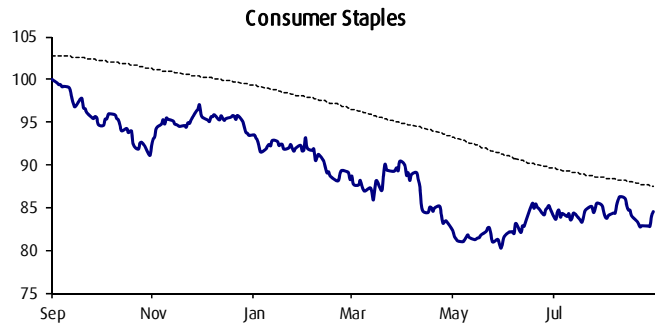
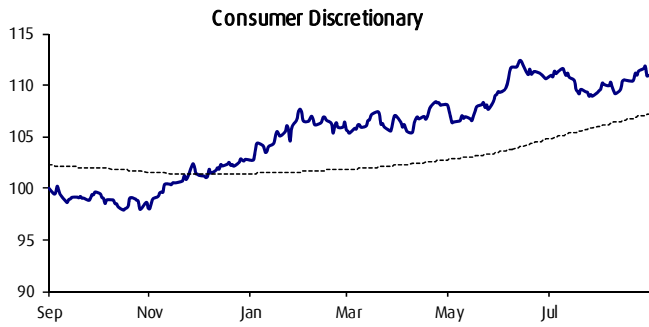


Source: Haver Analytics

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 September 7, 2018

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2017
Utilities	1.0	1.0	11.2	-2.0	1.9	8.3
Cons Staples	1.0	0.5	8.5	-2.0	-5.2	10.5
Industrials	0.6	1.2	1.9	12.5	1.9	18.5
Telecom Services	0.1	1.6	2.9	2.7	-7.2	-6.0
Financials	-0.1	-0.5	1.0	18.5	1.0	20.0
Health Care	-0.3	2.7	9.5	12.7	11.7	20.0
Materials	-0.6	-0.8	-2.4	7.7	-2.5	21.4
Banks	-0.6	-1.8	2.1	23.0	2.0	20.0
Cons Discretionary	-1.2	2.0	5.3	29.2	16.9	21.2
Energy	-2.3	-4.8	-5.5	12.3	0.3	-3.8
Information Technology	-2.9	0.0	2.6	27.6	16.5	36.9
S&P 400 Mid Cap	-0.9	0.6	1.8	18.3	6.7	14.5
S&P 100 Large Cap	-1.2	0.4	4.3	16.6	7.4	19.3
S&P 600 Small Cap	-1.3	2.0	4.7	29.5	15.8	11.7
S&P 500	-1.0	0.5	3.7	16.5	7.4	19.4

TSX Sectors

Health Care	1.9	31.7	15.6	84.8	17.3	32.7
Cons Staples	1.4	1.6	6.1	3.6	-2.8	6.4
Banks	0.3	2.5	3.8	13.8	1.8	10.4
Utilities	-0.1	-1.9	2.3	-9.7	-9.2	6.2
Telecom Services	-0.2	0.6	2.1	-0.4	-4.6	9.9
Financials	-0.2	1.9	2.0	10.6	-0.4	9.4
Industrials	-0.6	0.3	3.8	21.4	10.8	17.9
Information Technology	-2.3	1.9	-2.0	32.0	22.6	16.2
Energy	-2.5	-5.4	-1.1	3.7	-2.9	-10.0
Cons Discretionary	-2.5	-6.2	-7.8	4.9	-4.2	20.4
Materials	-2.6	-9.0	-14.6	-10.7	-12.0	6.3
Gold	-3.7	-13.5	-19.6	-29.3	-22.6	-2.6
REITs	0.4	2.2	3.8	11.6	6.8	3.8
Income Trusts	0.2	0.8	3.9	6.1	1.7	4.5
S&P/TSX 60 Large Cap	-1.0	-1.3	0.0	8.7	-0.3	6.6
S&P/TSX Mid Cap	-1.4	-0.9	-2.6	2.3	-2.0	4.2
S&P/TSX Small Cap	-2.1	-2.4	-5.1	-1.1	-6.4	0.3
TSX	-1.1	-1.2	-0.6	7.1	-0.7	6.0

Source: Bloomberg

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