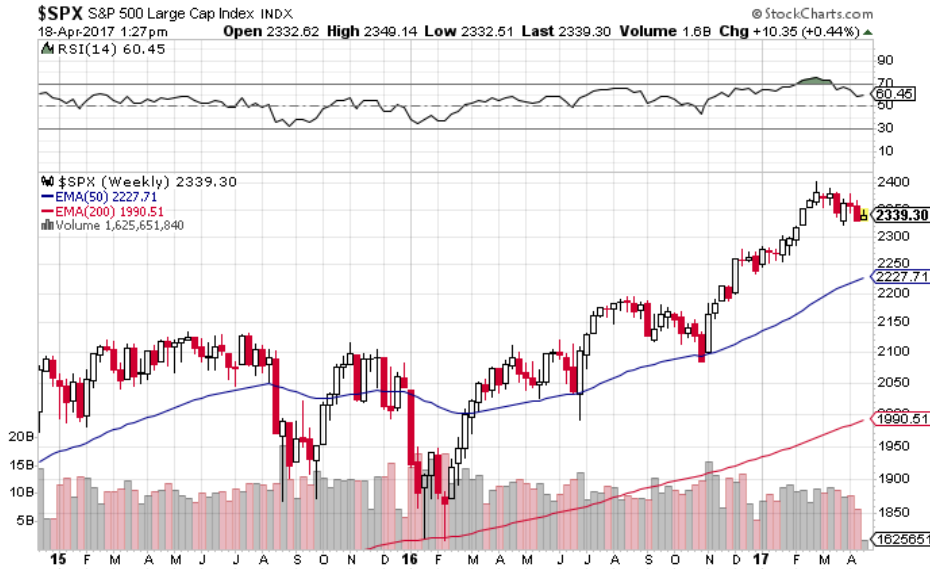
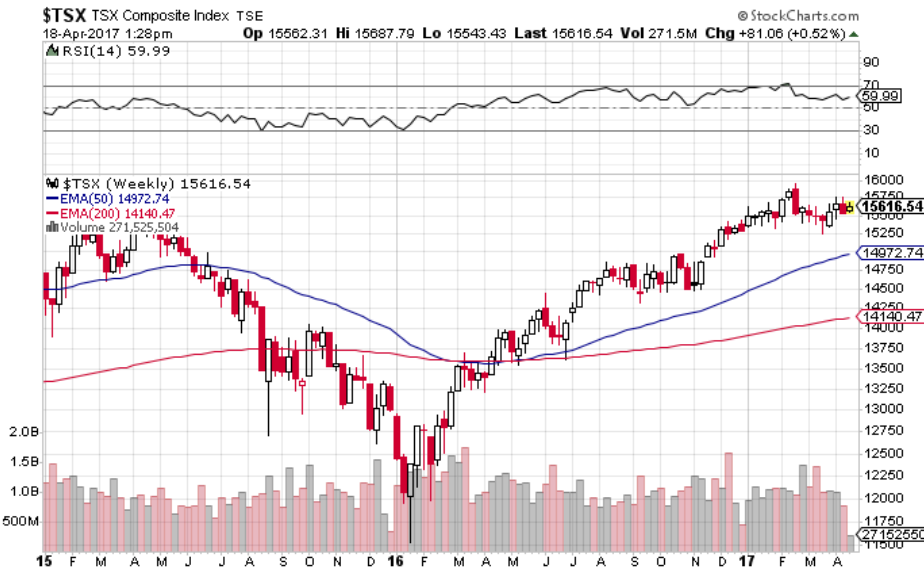


Market Update - April 17, 2017

As we start what many anticipate to be a fairly positive Q1 earnings season, markets have responded over the last two weeks to growing geopolitical risk around North Korea and uncertainty posed by leaders there, and in the United States. The S&P 500 in the U.S. pulled back slightly to February levels.

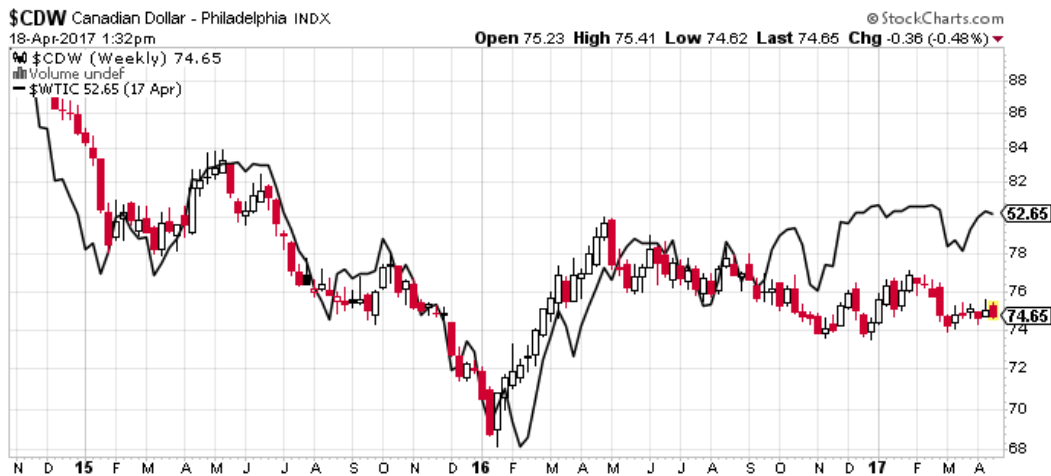


S&P 500 (USA) At last Friday, the **S&P 500 is up 14.05% for trailing 12 months.**



TSX (Canada) At last Friday, the **TSX is up 15.74% for trailing 12 months.**

Noteworthy is the impact of currency on portfolios. U.S. dollar exposure has been a boon for investors over the last several years. The commodity cycle ended five years ago and based on the longer term historical trends, I expect the U.S. dollar will remain favoured (it trades inversely to commodities) for some years to come. That said, currency can work against portfolios at times. The Ontario Teachers' Pension Fund, one of Canada's largest pensions, reported recently that its return in 2016 was just 4.2%, suffering in part currency exposure on overseas investments with the decline of the British Pound. (National Post March 29, 2017)



Here at home, a gap has developed between the Canadian dollar and oil (WTI) which normally trade in sync. I expect that gap to close short-term as energy reaches a point in the calendar where historically seasonal strength from October, usually fades into summer.

- Wholesale rate of Cdn dollar to U.S. dollar is \$1.3377
- Wholesale rate on Cdn dollar to Pound is \$1.7171 (Pound is gaining strength)
- Wholesale rate on Cdn dollar to Euro is \$1.4351 (GO TO EUROPE THIS SUMMER)
- Canada bond yields slip, as **five year Canada bonds now yield 1.03%**

CBC marketplace ran a piece several times over the last few weeks about potential up selling of bank products and I got a few questions, so here are few things you need to know. National Bank Financial is a wholly owned Wealth Management subsidiary of National Bank. While the story focused on retail banks, I want to clarify that we operate an 'Open Architecture'. Not all bank owned Wealth Management firms in Canada do operate an Open Architecture.

What does that mean for you?

What that means is that my team can go to market for the best product we can find to fill a need without any pressure to invest your capital in a National Bank created product thus, *open architecture*. Further, as a registered representative, I am under constant scrutiny - sometimes daily, to ensure both duty of care and suitability by not only our own compliance department but by securities regulators such as Canada's National Securities Regulator IIROC.

As I have long suggested, why invest at a retail bank when you can own a bank? I can't remember the last time any of them reported less than \$1 billion in profit within a quarter. With the recent pullback in TD as a result of the CBC story, we have been adding TD in an otherwise fully valued sector. It offers the best exposure to the stronger U.S. economy, revenue in U.S. dollars, and interest rates in the U.S. have been going up which tends to be favourable for financials. I like U.S. economy exposure with a regulated Canadian bank.

Cannabis. Marijuana is expected to be legalized shortly. You might be wondering about investment. BC marijuana was once touted to be bigger than softwood lumber. Since trading at pennies, many of the growers are up dramatically. **However**, none are profitable and there exists several uncertainties that need to be resolved – like ability to measure impairment. The legislative change will create clear opportunity but the names remain speculative in nature only because we have no means to answer questions about profitability, distribution and enforcement. If you are interested in this space, **think "SPECULATIVE"**. On a pullback you can own individual names and even an ETF of several of these newest Canadian *agriculture stocks*. Some think this sector will get high...

Taxes. Last call. If you haven't done so yet, you have until prior to midnight on April 30th to file your 2016 income tax return.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. ***This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group.*** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Best,

National Bank Financial

Rob Hunter
Senior Investment Advisor
Vice President

**Sources: National Post, Reuters, Thomson One, Stockcharts.com,
Disclosure: I and/or my immediate family own shares in TD Bank.**

National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada. The National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX).

This information was prepared by Rob Hunter, an Investment Advisor with National Bank Financial. The particulars contained herein were obtained from sources that we believe reliable but are not guaranteed by us and may be incomplete.

The opinions expressed are based on our analysis and interpretation of these particulars and are not to be construed as solicitation or offer to buy or sell the securities mentioned herein. National Bank Financial may act as financial advisor, fiscal agent or underwriter for certain of the companies mentioned herein and may receive remuneration for its services. Rob Hunter, National Bank Financial and/or its officers, directors, representatives, and associates may have a position in the securities mentioned herein and may make purchases and / or sales of these securities from time to time in the open market or otherwise.

The opinions expressed herein do not necessarily reflect those of National Bank Financial.

Several of the securities mentioned in this article may not be followed by National Bank Financial's Research department.

All prices and rates are subject to change without notice. Stocks typically fluctuate in value. Stock values can go to zero.

The investment advice given only applies to residents of the provinces of British Columbia, Alberta, Manitoba and Ontario.

National Bank Financial is a member of the Canadian Investor Protection Fund.



IIROC

Regulated by
Investment Industry Regulatory
Organization of Canada

