

Market Update - July 2018

	Year-to-date (Jun 29/18)
Canadian Stock Market (TSX)	0.42% (Tech sector +21% / Energy sector 6.8%)
U.S. Stock Market (S&P 500)	1.67%
U.S. Nasdaq Market (Technology)	8.79%
Cdn\$/US\$	0.7605
West Texas Intermediate Oil	\$74.32
5 year Canada Bonds	2.07%

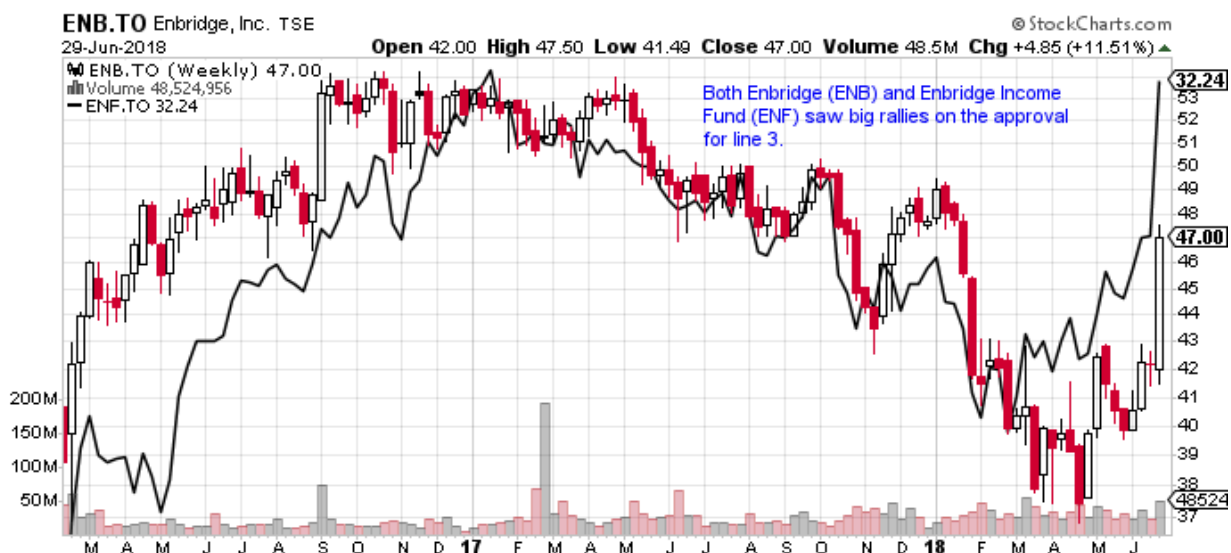
Energy, Trade and Politics...

Corporate tax cuts ignited the U.S. stock market last year which since, has been an earnings driven story, now facing potential headwinds from escalating trade tensions with... well, everybody.

Here in Canada, investors have been offered great dividend based income, halfway through what might be a second year of lacklustre market growth, only for a recent escalation in notably, the price of oil which is breaking out to the upside recently. Rising demand for LNG is also raising hopes for Canadian natural gas, providing it can get to the ocean for export.

Remember that Canadian oil sells well below West Texas Intermediate, quoted above. The problem remains that like gas, it is landlocked and the only market for Canadian energy is the U.S. where last winter, we sold natural gas at dramatically discounted prices, to the Americans who were exporting natural gas for well over 100% mark up. Closer to home, the Vancouver Airport Authority (YVR) has been constructing a pipeline across Richmond where they are building a tank farm on the Fraser River to import jet fuel from South Korea because of supply fears, in part, due to the failure to expand the Trans Mountain Pipeline which is at full capacity. (Energy rich Canada, importing jet fuel.)

However, good news came to this sector recently, where Enbridge received approval for their line 3, the biggest project in the companies history. Enbridge Income Fund and Enbridge stock will merge together to one corporate entity. Consensus of analysts targets for Enbridge is \$51.53

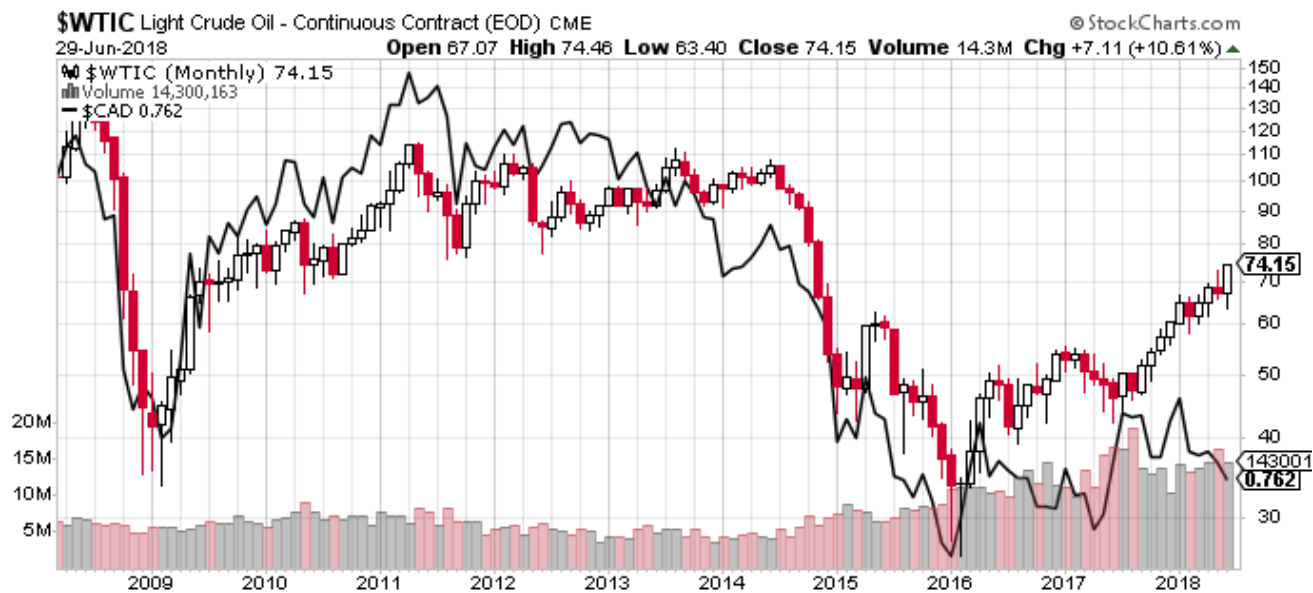


Likewise, Altagas has cleared the last hurdles for approval of its acquisition of WGL Industries in the U.S.



While the energy sector has put pressure on the Canadian dollar, the most recent drop of more than 3% in the dollar can be attributed to trade tariffs which take place this month (July). Further tariffs affecting the Canadian auto sector could be coming, having the most significant impact on Ontario.

The Canadian dollar (solid line in chart below) usually tracks with oil and you can see the current divergence as a result of trade concerns...



Canada Pension Plan (CPP)

Have you ever wondered how the CPP is invested? Things have changed with declining interest rates in the last 19 years... Back then the CPP was invested 100% in bonds, where today 59% is in equities and 23.5% in real estate assets.



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

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Sources: 2018 Annual Report CPP Investment Board, CBC, Globe & Mail, Thomson Reuters, Stockcharts.com

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