

World Equities

Equity Market	Current	T-1	T-1, Δ %	T-5, Δ %
DOW	25,964.82	25,986.92	-0.09%	0.68%
S&P 500	2,901.52	2,901.13	0.01%	0.93%
Nasdaq	8,109.54	8,088.36	0.26%	2.06%
S&P/TSX	16,256.55	16,371.55	-0.70%	-0.61%
FTSE 100	7,432.42	7,516.03	-1.11%	-1.73%
DAX	12,364.06	12,494.24	-1.04%	-0.25%
Hang Seng	27,888.55	28,164.05	-0.98%	0.78%
Shanghai Index	2,725.25	2,737.74	-0.46%	-0.15%
Nikkei 225	22,865.15	22,869.50	-0.02%	1.17%

U.S. stock market finished mixed on Friday as investors took profits while remained cautiously optimistic that a deal could be reached between the U.S. and Canada when both parties resume trade discussions next week.

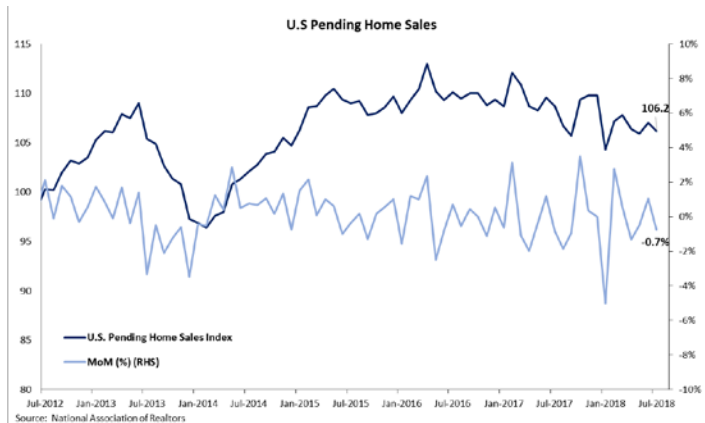
The Dow Jones industrial average inched lower by 22.1 points (-0.09%) to settle at 25,964.82, as gains in Apple and Nike stocks were largely offset by losses in Boeing and Goldman Sachs. The S&P 500 finished mostly flat at 2,901.52 and the Nasdaq composite rose 21.17 points (0.26%) to close at 8,109.54. All three U.S. equity indexes recorded sizable gains in August despite ongoing trade disputes, with Dow and S&P 500 up 2.1% and 3.0%, the best monthly performance since 2014; while Nasdaq registered the best monthly gain of 5.7% since 2000.

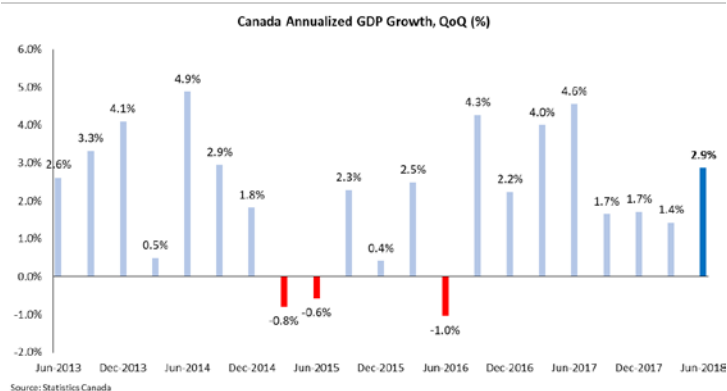
On Monday, U.S. and Mexico have reached an agreement to enter a new trade deal, which will be called the “The United-States-Mexico Trade Agreement” (USMTA). U.S. re-iterated its threat to slap auto tariffs on Canada if a timely bilateral trade deal cannot be materialized. Few details have been provided thus far and the USMTA stipulates that 75% (up from 62.5%) of the content in automobiles be sourced in North America and 40 – 45% of auto content be produced by workers making at least \$16 per hour. Nonetheless, an uphill battle remains for the U.S. President Donald Trump to pass the bilateral deal as he would need 60 votes from the 100-member Senate, implying that he will need 10 votes from the Democrats, assuming he obtains full support from the Republicans.

On Tuesday, U.S. consumer confidence jumped to cycle high of 133.4 in August (vs. 127.9 in July), the highest level in 18 years, as consumers remained upbeat towards the economic situation in the near term and this should continue bolstering consumer spending. However, investors should stay vigilant towards the trajectory of the consumer confidence reading, as any sign of a sudden reversal could indicate that the end of the longest bull market is around the corner. This has been well demonstrated historically by the divergence between the “Present Situations” and “Expectations” sub-indexes.

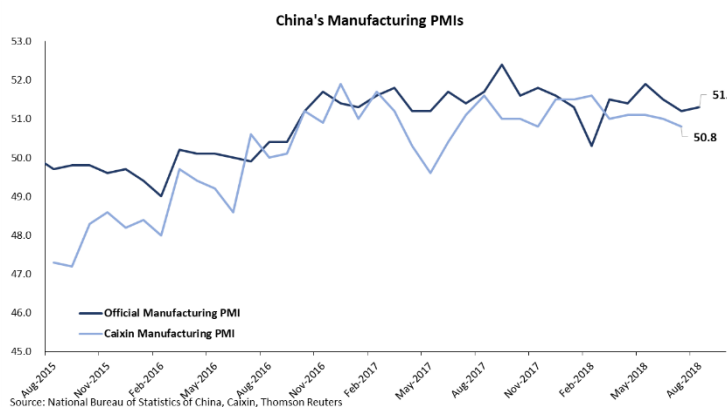
On Wednesday, U.S. Q2 GDP annual growth was revised higher to 4.2% from 4.1% (vs. Q1 GDP of 2.2%), reflecting higher business spending on software. The street is currently forecasting a 3% GDP growth for Q3 and the overall strong economic indicators witnessed this month solidify the case of another interest rate increase in September.

On the other hand, U.S. July pending home sales index unexpectedly fell 0.7% MoM to 106.2 (vs. 1.0% gains in June), below street expectation, as tight home supply, deteriorating affordability, and higher mortgage rates continued to keep prospective buyers on the side line.



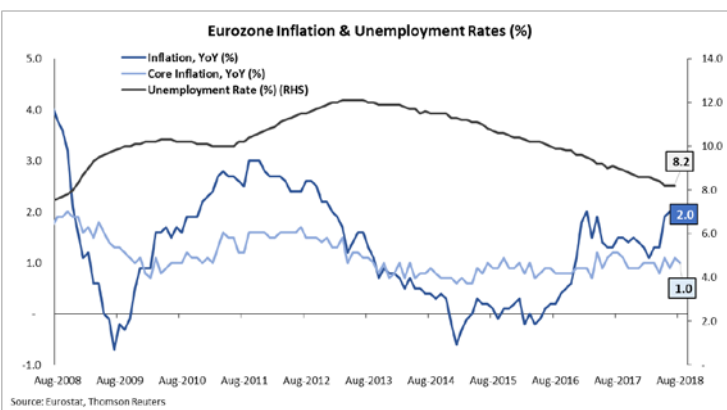


On Thursday, Canada reported Q2 GDP growth result at a 2.9% annualized rate (vs. 1.4% in Q1), ahead of Bank of Canada (BoC)'s forecast of 2.8%, yet slightly below the economists' consensus of 3.0%. On a monthly basis, June GDP data indicated growth has stalled at 0%, lagged by the energy sector and wholesale trade. Investors continued to anticipate BoC will stay the course to gradually normalize its overnight rate, with the next rate hike coming in as early as in October.



In addition, Donald Trump threatened to imposed tariffs on additional \$200 billion of Chinese goods as soon as next week. China responded shortly and declared it will retaliate with tariffs on \$60 billion of U.S. imports. Both countries have already levied tariffs on \$50 billion worth of imports on each other thus far.

Speaking about China, its official Manufacturing PMI ticked up to 51.3 in August (vs. 51.2 in July), higher than forecasted by economists. The official PMI focuses on stated-owned enterprises, while the Caixin PMI, which is set to be release on Monday, revolves around small & medium-sized companies. Current street consensus is forecasting Caixin to decline further to 50.6.



On Friday, Eurozone inflation rate moderated to 2.0% in August (vs. 2.1% in July) largely due to energy prices rising at a slower pace. Core inflation weakened to 1.0% (vs. 1.1% in July). In July, unemployment rate were held at a decade-low level of 8.2%. Despite the improving labour market, soft economic growth (2.2% in Q2) and slowing inflation will likely direct the European Central Bank (ECB) to take a more cautious approach in scaling back its asset purchasing programme. Other things equal, the street continues to expect ECB to reduce its monthly pace of asset purchases to €15 billion from €30 billion starting in October until end of 2018, when the programme will be terminated.

Towards the end of the trading session, no trade deal between the U.S. and Canada was announced and trade talks will restart next week. Donald Trump informed Congress his intention to sign a trade agreement with Mexico and potentially Canada within 90 days.

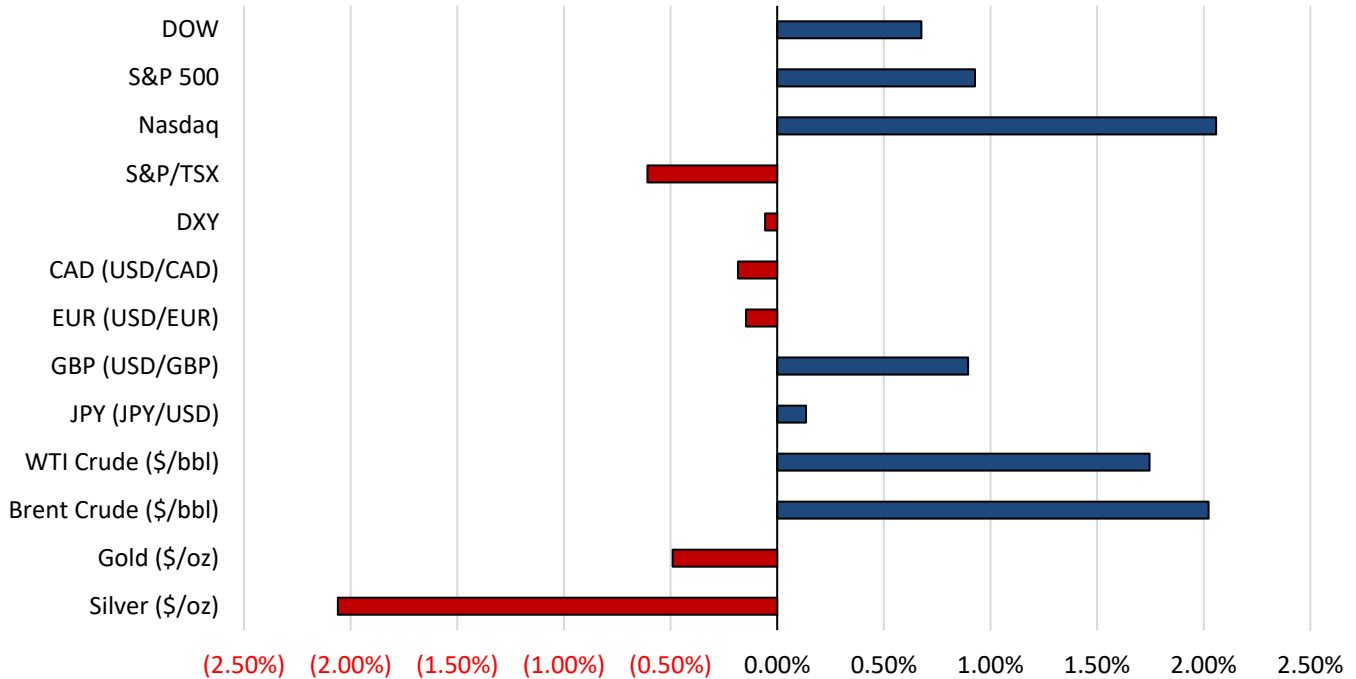
Commodities & FX

Commodities	Current	T-5	T-30	T-365
WTI Crude (\$/bbl)	69.9	68.7	67.6	50.0
Brent Crude (\$/bbl)	77.7	76.1	74.4	53.7
Natural Gas (\$/MMBtu)	2.92	2.91	2.80	2.94
Gold (\$/oz)	1,199.4	1,205.4	1,224.2	1,321.4
Silver (\$/oz)	14.5	14.8	15.5	17.6
Copper (\$/oz)	6,066.0	6,005.0	6,250.0	6,769.0
FX	Current	T-5	T-30	T-365
CAD (USD/CAD)	1.31	1.30	1.30	1.25
EUR (USD/EUR)	1.16	1.16	1.17	1.19
GBP (USD/GBP)	1.30	1.28	1.31	1.29
JPY (JPY/USD)	111.1	111.2	111.9	110.0

Fixed Income

Gov't Bonds	2-Year (%)				5-Year (%)				10-Year (%)			
	Current	T-1	T-5	T-30	Current	T-1	T-5	T-30	Current	T-1	T-5	T-30
U.S.	2.63	2.65	2.62	2.67	2.74	2.75	2.71	2.85	2.86	2.86	2.81	2.96
Canada	2.07	2.10	2.11	2.07	2.16	2.21	2.20	2.21	2.27	2.27	2.26	2.31
Eurozone	-0.61	-0.61	-0.60	-0.58	-0.23	-0.22	-0.22	-0.13	0.32	0.34	0.34	0.44
Japan	-0.12	-0.12	-0.12	-0.11	-0.08	-0.07	-0.08	-0.10	0.10	0.10	0.10	0.06
U.K.	0.73	0.74	0.72	0.77	1.04	1.06	1.01	1.06	1.43	1.45	1.28	1.33

Weekly Performance



Source: Thomson Reuters, Bloomberg

Upcoming Events

Date	Events
Mon, Sep 03, 2018	China Caixin Manufacturing PMI (Aug)
Tue, Sep 04, 2018	U.S. ISM Manufacturing PMI (Aug)
Wed, Sep 05, 2018	U.K. Service PMI (Aug); BoC Interest Rate Decision
Thu, Sep 06, 2018	U.S. ADP Nonfarm Payrolls (Aug); U.S. ISM Non-Manufacturing PMI (Aug)
Fri, Sep 07, 2018	U.S. Nonfarm Payrolls (Aug); Canada Employment Report (Aug)