

World Equities

| Equity Market | Current | T-1 | T-1, Δ % | T-5, Δ % |
|----------------|-----------|-----------|----------|----------|
| DOW | 26,458.31 | 26,439.93 | 0.07% | -1.07% |
| S&P 500 | 2,913.98 | 2,914.00 | 0.00% | -0.54% |
| Nasdaq | 8,046.35 | 8,041.97 | 0.05% | 0.74% |
| S&P/TSX | 16,073.14 | 16,204.62 | -0.81% | -0.93% |
| FTSE 100 | 7,510.20 | 7,545.44 | -0.47% | 0.27% |
| DAX | 12,246.73 | 12,435.59 | -1.52% | -1.48% |
| Hang Seng | 27,788.52 | 27,715.67 | 0.26% | 1.13% |
| Shanghai Index | 2,821.35 | 2,791.78 | 1.06% | 3.37% |
| Nikkei 225 | 24,120.04 | 23,796.74 | 1.36% | 1.88% |

U.S. equities closed mostly flat on Friday as investors were generally pleased with the stock market performance in the third quarter.

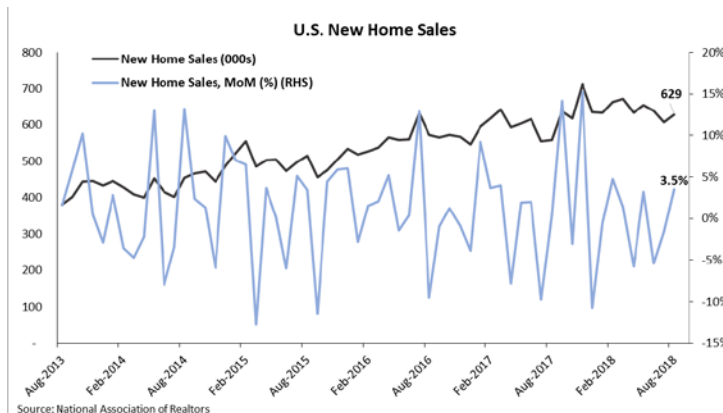
The Dow Jones industrial average ticked up 18.38 points (0.07%) to finish at 26,458.31, thanks to Intel and Boeing stocks. The S&P 500 broke even at 2,913.98 as gains from NVIDIA is largely offset by AMD stock losses. The Nasdaq composite rose slightly to settle at 8,046.35. Despite mixed performance for the week, the S&P 500 recorded 7.2% gains in the third quarter, the best quarterly performance since 2013. The Dow advanced 9% and the Nasdaq climbed 7.1% during the same period.

On Monday, the European Central Bank (ECB) president, Mario Draghi, believed inflation will continue to pick up in the near future in light of the tightening labour market and improved wage growth. However, no further color on rate normalization timeline was provided and the market continued to expect rates will remain on hold until after summer 2019. Both Germany's 10-year bund yield and the euro rose in response to Draghi's comment. Currently, the headline inflation in eurozone is sitting at 2.1% as of August.

On Tuesday, U.S. consumer confidence in September surprised to the upside and jumped to 138.4 (vs. 134.7 in August), the highest level in 18 years, as strong labour market, higher wage growth, and tax cuts have sustained consumers' optimism towards the state of the U.S. economy. This high level of confidence should continue to underpin healthy consumer spending; however, investors should remain attentive at the economic trajectory as the financial market is heading towards the end of the business cycle and any sign of deterioration in economic fundamentals would be first reflected in leading indicators such as the consumer confidence index.

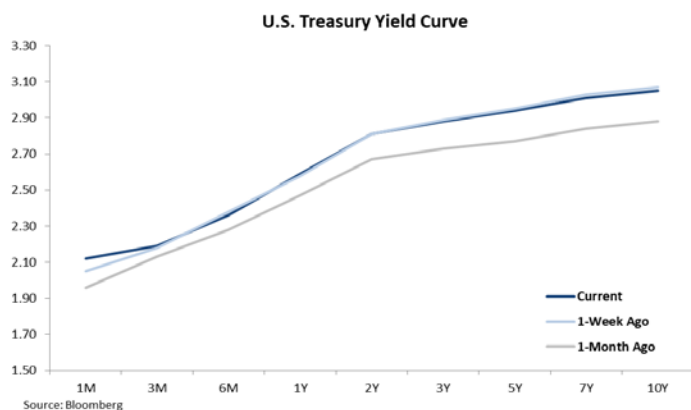
On Wednesday, U.S. new home sales rebounded and registered the fastest growth in six months, with MoM reading up 3.5% (vs. -1.6% in July) to an annualized pace of 629,000 units in August. Nonetheless, since peaking in November 2017, the new home sales activities have been on a downward trend.

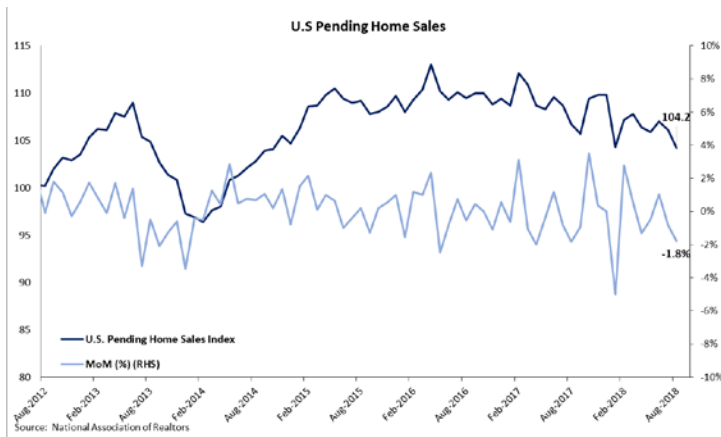
In addition, the U.S. Federal Reserve (Fed) concluded its two-day [FOMC meeting](#) and raised its federal funds rate by 25 basis points (bps) to a range of between 2.00% and 2.25%, which is widely expected by the street. The Fed has revised upwards its GDP growth projection for 2018 and 2019, while slightly lowering inflation forecast in 2019. The Fed dropped the "monetary policy remains accommodative" phrase from its statement, signaling the central bank is looking to shift its monetary stance towards neutral from accommodative going forward. The street is pricing in one additional rate hike in 2018 and three in 2019. The U.S. treasury curve flattened after FOMC's announcement, but remained relatively stable throughout the week, with 10-2 year spread at 24 bps by end of the week.



| FOMC Projection | 2018 | | 2019 | | 2020 | |
|------------------------|--------|--------|--------|--------|--------|--------|
| | Sep 18 | Jun 18 | Sep 18 | Jun 18 | Sep 18 | Jun 18 |
| Real GDP Growth (%) | 3.1 | 2.8 | 2.5 | 2.4 | 2.0 | 2.0 |
| Unemployment Rate (%) | 3.7 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 |
| PCE Inflation (%) | 2.1 | 2.1 | 2.0 | 2.1 | 2.1 | 2.1 |
| Core PCE Inflation (%) | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 |

Source: Federal Reserve

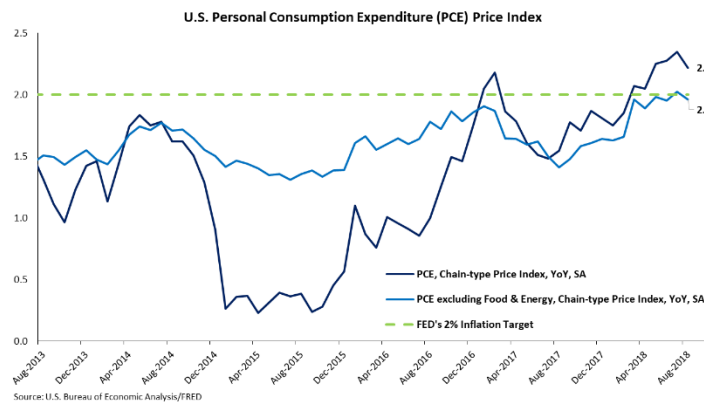




On Thursday, U.S. pending home sales index contracted 1.8% in August (vs. -0.8% in July) to 104.2 as prospective home sellers took a pause in listing their homes hoping to realize additional price appreciation before selling. Rising mortgage rates also played a role in increasing the costs of purchasing a home.

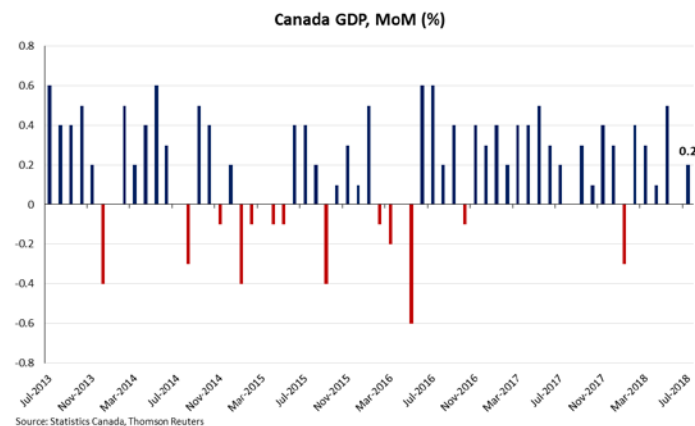
In addition, the final reading released by the U.S. Bureau of Economic Analysis confirmed that the economy has grown at an annualized rate of 4.2% in Q2 2018, the highest since Q3 2014.

On Friday, the U.K. economy grew 0.4% in the three months to the end of June, largely driven by strong performance in the services sector, which accounts for over 75% of the nation's GDP. However, Q1 reading was revised downward due to worse-than-expected wintry weather. As a result, Q2 GDP growth was also revised down to 1.2% from 1.3%.



Additionally, the U.S. PCE price index edged up 0.1% MoM in August. The Fed preferred inflation gauge, core PCE, which excluded volatile food and energy prices, rose 0.1% in the same period, or up 2.0% on a YoY basis, largely unchanged from July.

Further, the Canadian economy grew faster than expected in July, increasing 0.2% MoM from flat growth in June, ahead of 0.1% growth expected by the street. On a YoY basis, the economy expanded 2.4% in July. The latest series of strong economic data have lifted the odds of an October rate hike by the Bank of Canada to 90%, which is consistent with what the central bank governor Stephen Poloz said in a speech delivered on Thursday that interest rates are expected to move higher gradually.



Lastly, Italy announced its budget plan which targets its budget deficit at 2.4% of the country's GDP, beyond the 2.0% threshold previously set. Should government spending exceed the European Union's 3.0% fiscal deficit cap, investor confidence in the Italy's finances and its continued membership in the Eurozone could erode further. Italian financial market tumbled in response, with 10-year government yield surging over 30 basis points to over 3.2% while the FTSE MIB stock index fell 4.5%. The nation's credit rating is currently at BBB and will likely be faced with risk of a downgrade in the near term.

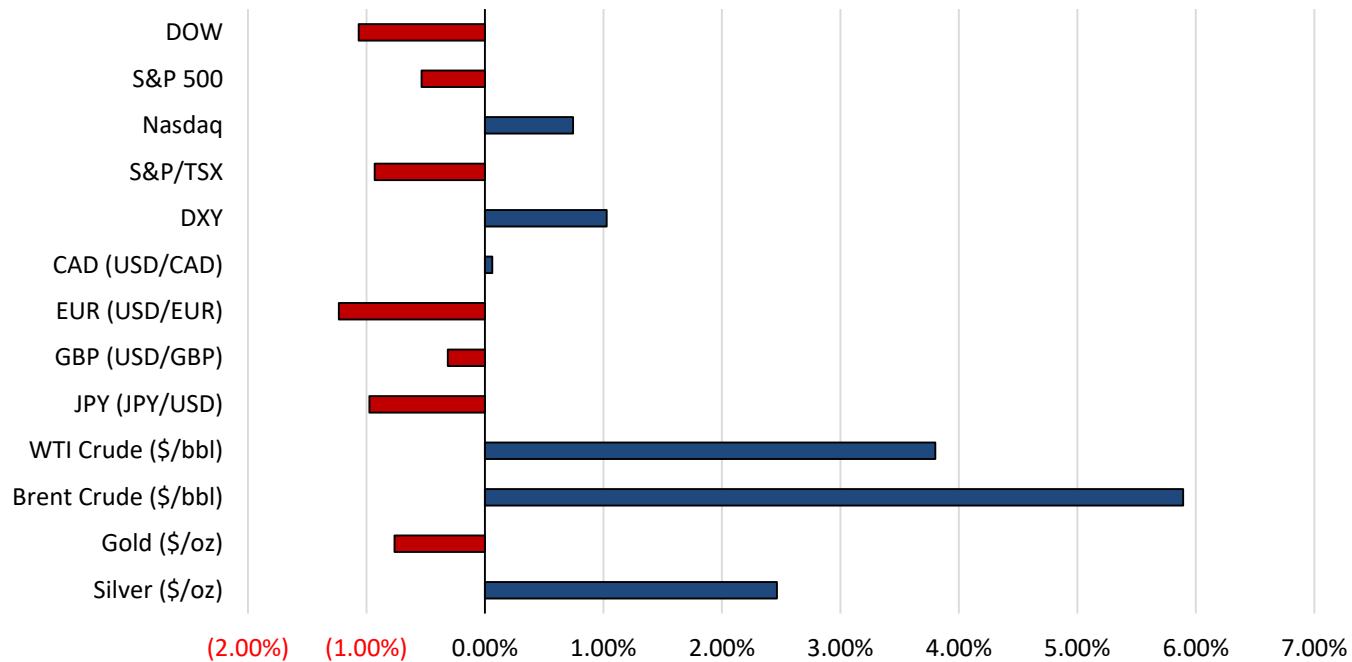
Commodities & FX

| Commodities | Current | T-5 | T-30 | T-365 |
|------------------------|---------|---------|---------|---------|
| WTI Crude (\$/bbl) | 73.5 | 70.8 | 68.2 | 51.6 |
| Brent Crude (\$/bbl) | 82.9 | 78.2 | 76.2 | 55.5 |
| Natural Gas (\$/MMBtu) | 3.00 | 2.97 | 2.87 | 3.02 |
| Gold (\$/oz) | 1,190.9 | 1,200.0 | 1,201.0 | 1,287.3 |
| Silver (\$/oz) | 14.7 | 14.3 | 14.7 | 16.9 |
| Copper (\$/oz) | 6,187.0 | 6,082.0 | 6,105.0 | 6,437.0 |
| FX | Current | T-5 | T-30 | T-365 |
| CAD (USD/CAD) | 1.29 | 1.29 | 1.29 | 1.24 |
| EUR (USD/EUR) | 1.16 | 1.17 | 1.17 | 1.18 |
| GBP (USD/GBP) | 1.30 | 1.31 | 1.29 | 1.34 |
| JPY (JPY/USD) | 113.7 | 112.6 | 111.2 | 112.3 |

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. | 2.82 | 2.83 | 2.80 | 2.67 | 2.95 | 2.96 | 2.95 | 2.77 | 3.06 | 3.05 | 3.06 | 2.88 |
| Canada | 2.21 | 2.20 | 2.18 | 2.14 | 2.34 | 2.33 | 2.33 | 2.25 | 2.43 | 2.42 | 2.43 | 2.32 |
| Eurozone | -0.53 | -0.50 | -0.54 | -0.59 | -0.09 | -0.03 | -0.12 | -0.19 | 0.47 | 0.53 | 0.46 | 0.38 |
| Japan | -0.12 | -0.12 | -0.11 | -0.12 | -0.07 | -0.08 | -0.06 | -0.08 | 0.12 | 0.11 | 0.13 | 0.09 |
| U.K. | 0.82 | 0.83 | 0.80 | 0.73 | 1.16 | 1.18 | 1.14 | 1.04 | 1.57 | 1.60 | 1.55 | 1.45 |

Weekly Performance



Upcoming Events

| Date | Events |
|-------------------|--|
| Mon, Oct 01, 2018 | U.S. ISM Manufacturing PMI (Sep) |
| Wed, Oct 03, 2018 | U.K. Services PMI (Sep); U.S. ADP Nonfarm Payroll (Sep); U.S. ISM Non-Manu PMI (Sep) |
| Fri, Oct 05, 2018 | U.S. Nonfarm Payrolls (Sep); Canada Employment Results (Sep) |