

World Equities

Equity Market	Current	T-1	T-1, Δ %	T-5, Δ %
DOW	23,995.95	24,001.92	-0.02%	2.40%
S&P 500	2,596.26	2,596.64	-0.01%	2.54%
Nasdaq	6,971.48	6,986.07	-0.21%	3.45%
S&P/TSX	14,939.18	14,903.49	0.24%	3.55%
FTSE 100	6,918.18	6,942.87	-0.36%	1.18%
DAX	10,887.46	10,921.59	-0.31%	1.11%
Hang Seng	26,667.27	26,521.43	0.55%	4.06%
Shanghai Index	2,553.83	2,535.10	0.74%	1.55%
Nikkei 225	20,359.70	20,163.80	0.97%	4.08%

U.S. stock market finished slightly lower on Friday as investors remained cautiously optimistic towards potential progress on trades coming out of the renewed discussions between the U.S. and China this week.

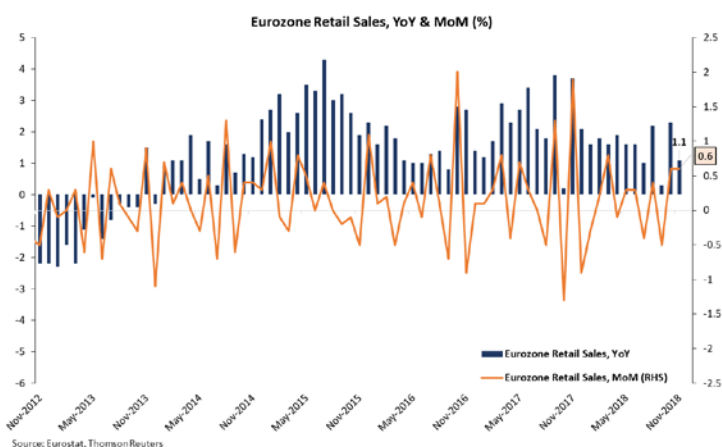
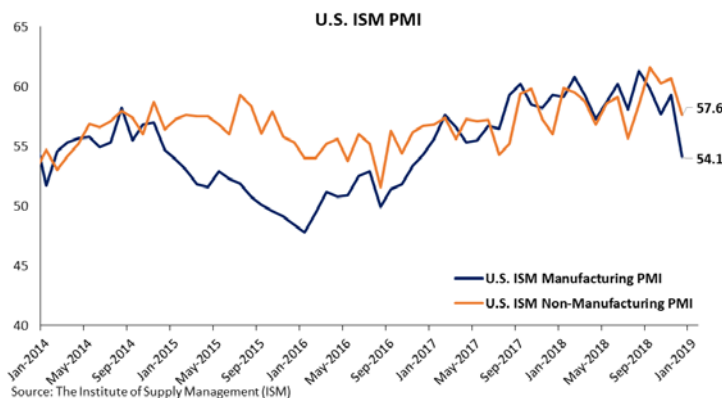
The Dow Jones industrial average inched down 5.97 points (-0.02%) to close at 23,995.95, primarily dragged down by Caterpillar and 3M Company. The S&P 500 broke even at 2,596.26 and re-tested the 2,600 technical level, which will take S&P 500 higher if it crosses above. The Nasdaq composite fell 14.59 points (-0.21%) to settle at 6,971.48, lagged by Microsoft and Apple. Volatility has seemed to subside for the week as market sentiment improved over potential trade-related progress between the two largest trading nations. For the week as a whole, the major U.S. indexes stayed in the green with an average gain of 2.8% with Nasdaq outperforming the other indexes.

On Monday, coincided with the Manufacturing PMI reading last week, the U.S. ISM Non-Manufacturing PMI fell to 57.6 in December (vs. 60.7 in November), driven by sizable declines across Business Activity/Production, Inventories, and Prices sub-indexes. Ultimately, the soft reading is consistent with shift in policy and market dynamics, indicating that a gradual economic slowdown is on the horizon.

In addition, the Eurozone retail sales rose 0.6% MoM (vs. 0.6% in October) or 1.1% YoY in November (vs. 2.3% in October), which offered some relief to a series of poor economic data released previously. That said, economic sentiment remains depressed in the Eurozone with Italy close to entering recession and geopolitical tensions gathering in France and Germany.

On Wednesday, Bank of Canada (BoC) kept its overnight rate at 1.75% as it takes a cautious approach in evaluating where the country's economic fundamentals are headed against the backdrop of low oil prices, slowing housing markets, and the trade spat between the U.S. and China. In the language, BoC governor Stephen Poloz re-iterated the central bank will remain data-dependent but his message seems to lack clarity regarding where BoC's monetary policy goes from here. The market is currently pricing out any rate increases in 2019 and a rate cut has become a possibility.

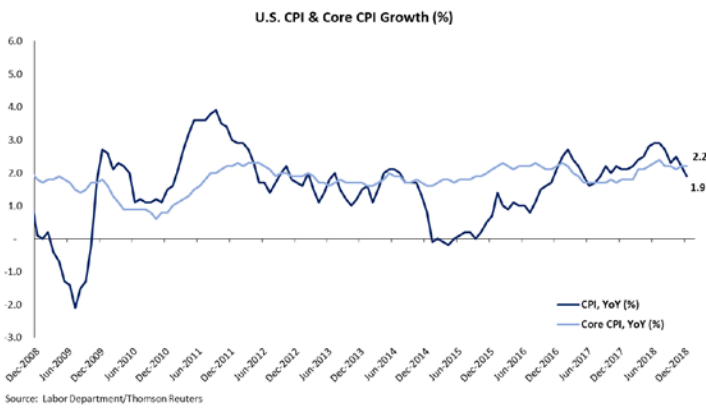
On the same day, the Federal Reserve (Fed) released its latest set of minutes from the December FOMC meeting, which came in relatively dovish as the Fed acknowledged the market jitters and trade tensions which have introduced a wide range of economic and fiscal uncertainties, which could dampen economic growth on both a domestic and global level. That said, the Fed remains data dependent but implies limited number of rate hikes are in the pipeline.



Concerns over escalating trade tensions, global growth prospects, and the sustainability of corporate earnings growth were among the factors that appeared to contribute to a significant drop in U.S. equity prices. The declines were largest in the technology and retail sectors.

With an increase in the target range at this meeting, the federal funds rate would be at or close to the lower end of the range of estimates of the longer-run neutral interest rate.... Against this backdrop, many participants expressed the view that, especially in an environment of muted inflation pressures, the Committee could afford to be patient about further policy firming.

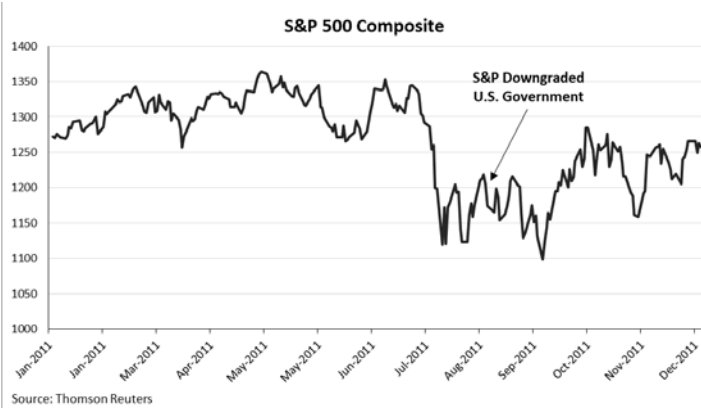
With regard to the post meeting statement, members agreed to modify the phrase "the Committee expects that further gradual increases" to read "the Committee judges that some further gradual increases." The use of the word "judges" in the revised phrase was intended to better convey the data-dependency of the Committee's decisions.... based on current information, the Committee judged that a relatively limited amount of additional tightening likely would be appropriate. While members judged that the risks to the economic outlook were roughly balanced...



The U.S. and China have concluded the three-day trade talks. Although no sentiment-altering details were provided immediately, representatives on both sides have agreed that progress has been made on issues related to China's increasing purchases of U.S. agricultural and energy product.

On Friday, U.S. inflation rose 1.9% YoY in December (vs. 2.2% in November), the first sub-2% reading since July 2017 amid plunging gasoline costs. Excluding the volatile food and energy items, core CPI expanded 2.2% in December, matching November figure. Near-term inflation could remain muted as oversupply in the oil market coupled with a potential slowdown in global economic growth keep price pressure in check.

Lastly, the partial U.S. government shutdown continues as no progress was made over Trump's demand for ~\$6 billion on building a border wall between the U.S. and Mexico, which was refused by the Democratic Party to finance. The shutdown lasts 21 days thus far, matching the longest shutdown seen in 1995-1996 under President Bill Clinton. Historically speaking, government shutdowns have not been economically disruptive, but a prolonged one could have negative implications on tax refunds and social programs. Earlier this week, Fitch rating agency has warned a possible downgrade to U.S.'s AAA credit rating if shutdown persists. Looking in the rear-view, the August 2011 downgrade to AA+ from AAA by S&P introduced idiosyncratic volatilities to the financial market, which did not bode well for the stock market.



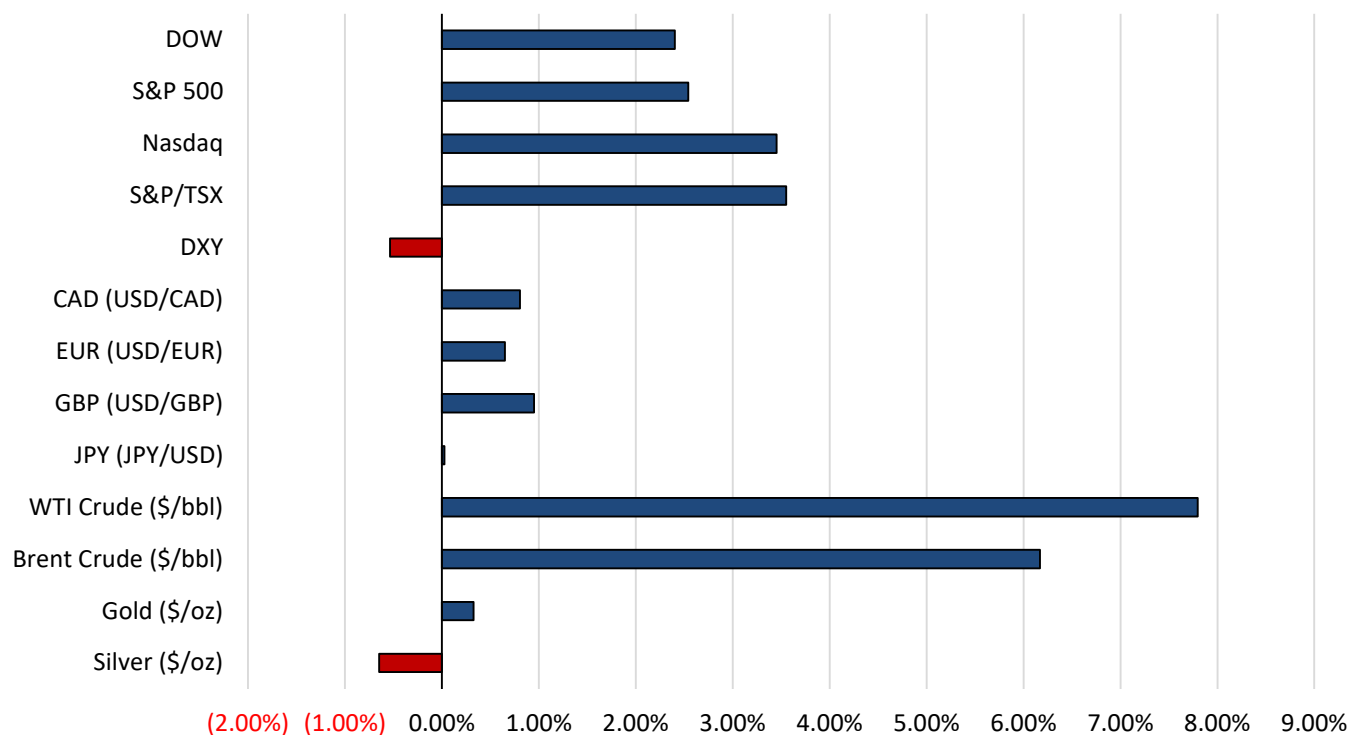
Commodities & FX

Commodities	Current	T-5	T-30	T-365
WTI Crude (\$/bbl)	51.7	48.0	51.8	59.7
Brent Crude (\$/bbl)	60.6	57.1	60.4	64.6
Natural Gas (\$/MMBtu)	3.16	3.04	4.26	3.06
Gold (\$/oz)	1,290.3	1,286.1	1,243.3	1,322.4
Silver (\$/oz)	15.6	15.7	14.6	17.0
Copper (\$/oz)	5,930.0	5,736.0	6,089.0	7,153.0
FX	Current	T-5	T-30	T-365
CAD (USD/CAD)	1.33	1.34	1.34	1.25
EUR (USD/EUR)	1.15	1.14	1.13	1.20
GBP (USD/GBP)	1.28	1.27	1.25	1.35
JPY (JPY/USD)	108.5	108.5	113.4	111.3

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.	2.54	2.58	2.49	2.76	2.53	2.57	2.50	2.74	0.00	2.74	2.67	2.88
Canada	1.89	1.91	1.85	2.03	1.90	1.92	1.85	2.03	1.95	1.99	1.93	2.08
Eurozone	-0.59	-0.60	-0.60	-0.61	-0.35	-0.35	-0.35	-0.30	0.18	0.25	0.21	0.23
Japan	-0.15	-0.15	-0.18	-0.15	-0.15	-0.15	-0.19	-0.13	0.01	0.02	-0.05	0.04
U.K.	0.80	0.77	0.75	0.68	0.94	0.91	0.89	0.82	1.29	1.27	1.27	1.19

Weekly Performance



Upcoming Events

Date	Events
Tue, Jan 15, 2019	U.S. PPI (Dec); U.K. Parliament on Brexit Deal
Wed, Jan 16, 2019	U.S. Retail Sales (Dec); China Q4 GDP; U.K. CPI (Dec)
Thu, Jan 17, 2019	U.S. New Home Sales & Building Permits (Dec); Eurozone CPI (Dec)
Fri, Jan 18, 2019	U.K. Retail Sales (Dec), Canada CPI (Dec)