



Weekly Market Insight

April 1, 2016

Who's on First?

By Avery Shenfeld

Don't look now, but oil-shocked Canada is outpacing the US economy by a wide margin. First quarter growth in Canada should be near-3% annualized, even if, as we expect, there's a deceleration in its final two months. In contrast, monthly tracking measures suggest that the American economy will grow at about half that pace. Some are questioning whether Canada really needed that fiscal stimulus after all.

But just as CEOs and fund managers ask not to be judged every three months, one quarter does not an economic expansion make. Sure, Canadian real GDP was up a heady 0.6% in January, but that left it at a moderate 1.5% gain over the past year. The US is expected to close out its first quarter with GDP tracking about 2.2% from a year earlier. Strong job gains have American employment rates improving and unemployment diminishing—not so in Canada.

Various factors also hint that fortunes will turn America's way in the second quarter. A moderate winter provided more of a one-time boost to Canadian GDP figures than in the US, where the south and southwest don't typically see the same seasonality. A surge in Canadian automotive exports is unlikely to be matched by upcoming gains unless we start to see capacity additions.

In contrast, the US seems due for a growth pick-up. For one, we have some doubts that GDP has really been as weak as the numbers suggest. Historically, when employment and output measures conflict, the stronger jobs gains either precede an upward revision to GDP (as we saw in Q4 to some extent) or an acceleration in growth the next quarter. American employers are confident about what lies ahead, or they wouldn't be doing all that hiring. Today's factory ISM also hinted at better days for that sector, and recent increases in the savings rate leave room for consumption to get back in gear.

Finally, real GDP counts only the numbers of vehicles, tons of copper and barrels of oil we sell, not what we sell them for. Nominal GDP, which factors in prices, doesn't look that favourable. It's likely to end Q1 up less than 1% since the final quarter of 2014. Over those same five quarters, US nominal GDP will have advanced by almost 4%, lending more support to incomes.

All of this is consistent with Canadian and US policy makers taking different tacks in the coming year. The Bank of Canada will be lifting its forecast for 2016 due to both upside data surprises and fiscal stimulus. While we won't be as optimistic, Poloz will have to be looking at something close to 2% real GDP growth for 2016.

Still, that's no reason to begin hiking rates, given the hole left behind in the past year's dive in energy sector capital spending and employment. In contrast, Yellen's remarks were taken by markets as much more dovish than they really were. Read the full speech, not the headlines, and it's clear that she was trying to explain why the Fed would tighten "only gradually", and not, as the market took it, set aside any hikes at all. A hike in June, and a follow-up in December, would have the Fed in a pattern of one hike every six months. That sounds "gradual" to me.

Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago*
TED SPREAD (bps)	38	43	34	33	25
10Y - 2Y SPREAD (bps)	103	106	101	96	136
2Y SWAP SPREAD (bps)	12	11	10	4	26
3M T-Bill (%)	0.24	0.19	0.29	0.30	0.02
LIBOR 1 MONTH (%)	0.43	0.43	0.43	0.43	0.18
LIBOR 3 MONTH (%)	0.63	0.63	0.63	0.63	0.27
2-YR BOND (%)	0.77	0.75	0.86	0.81	0.54
5-YR BOND (%)	1.26	1.25	1.35	1.24	1.35
10-YR BOND (%)	1.80	1.81	1.87	1.77	1.90
A Rated - 10Y TREASURY (bps)	113	117	118	133	102
B Rated - 10Y TREASURY (bps)	590	590	584	594	580
BB Rated - 10Y TREASURY (bps)	430	431	416	465	347
CANADA					
PRIME - BA SPREAD (bps)	179	180	183	184	185
CDOR 3 MONTH (%)	0.90	0.90	0.88	0.86	1.00
CDOR 3 MONTH - 3M T-BILL SPREAD (bps)	45	46	42	40	44
10Y - 2Y SPREAD (bps)	72	68	69	68	83
2-YR BOND (%)	0.55	0.56	0.56	0.51	0.50
5-YR BOND (%)	0.71	0.69	0.71	0.67	0.75
10-YR BOND (%)	1.27	1.24	1.24	1.19	1.33
A Rated - 10Y TREASURY (bps)	172	176	181	203	125
BBB Rated - 10Y TREASURY (bps)	246	249	257	280	176
CAN Sovereign Agency - 10Y TREASURY (bps)	123	126	126	135	70
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	37.0	38.6	38.7	33.7	48.9
NATURAL GAS (US\$ / MMBtu)	1.9	2.0	1.8	1.7	2.7
SILVER (US\$ / t oz.)	15.0	15.4	15.3	14.9	16.6
GOLD (US\$ / t oz.)	1214.5	1235.6	1219.8	1222.0	1197.3
WHEAT (US¢ / bu.)	473.8	462.0	460.5	444.0	536.3
SOYBEANS (US¢ / bu.)	915.8	908.5	907.8	856.3	983.8
SUGAR (US¢ / lb.)	15.3	15.9	16.3	14.0	12.7
CORN (US¢ / bu.)	351.3	363.3	367.8	354.3	383.0
FX					
C\$ / US\$	1.309	1.297	1.329	1.354	1.259
US\$ / EURO	1.136	1.139	1.116	1.093	1.087
C\$ / EURO	1.488	1.477	1.483	1.480	1.369
YEN / US\$	112.380	112.430	112.490	113.900	119.790
US\$ / BRITISH POUND	1.419	1.439	1.411	1.388	1.483
SWISS FRANCS / US\$	0.961	0.959	0.976	0.999	0.958
EQUITY MARKETS					
S&P/TSX COMPOSITE	13380	13515	13273	12879	15045
S&P 500	2056	2065	2026	1959	2067
NASDAQ	4878	4884	4752	4603	4889
DOW JONES	17727	17737	17426	16741	17749
RUSSELL 2000	1107	1112	1068	1037	1258
DAX	9786	9955	9883	9531	11949
FTSE 100	6130	6174	6112	6105	6819
NIKKEI	16164	16759	16892	16188	19313

* As of ~11:00 a.m. Toronto time

Note: Data is for reference only.

International Stock Indexes

Thursday, March 31, 2016

Index (Region/Country)	DAILY						52 WEEK			
	High	Low	Close	Chg	% Chg - +	YTD % chg	High	Low	% Chg	3-yr % chg
Global										
The Global Dow (World)	2325.05	2311.88	2314.85	-8.48	-0.37	-0.9	2639.52	2047.44	-8.7	3.1
The Global Dow Euro (World)	1933.83	1911.58	1912.74	-13.86	-0.72	-5.6	2305.98	1699.54	-12.8	7.3
DJ Global Index (World)	308.13	306.92	307.36	-0.61	-0.20	-0.2	341.62	272.15	-6.8	3.6
DJ Global ex U.S. (World)	208.97	207.31	208.19	-0.57	-0.27	-1	246.68	184.52	-11.4	-1.3
Asia Pacific										
DJ Asia-Pacific TSM (Asia-Pacific)	1365.91	1355.85	1358.46	0.41	0.03	-2.3	1619.39	1190.45	-10.9	-0.7
All Ordinaries (Australia)	5166.1	5081.6	5151.8	70.3	1.38	-3.6	5954.8	4816.6	-12.2	1.1
S & P/ASX 200 (Australia)	5098.2	5010.3	5082.8	72.5	1.45	-4	5982.7	4765.3	-13.8	0.8
Dow Jones China 88 (China)	256.02	253.48	254.06	-0.02	-0.01	-11.4	408.69	224.92	-22	6.7
Shanghai Composite (China)	3023.41	2992.92	3003.92	3.27	0.11	-15.1	5166.35	2655.66	-21.5	10.3
Hang Seng (Hong Kong)	20872.55	20689.22	20776.7	-26.69	-0.13	-5.2	28442.75	18319.58	-17.8	-2.3
S & P BSE Sensex (India)	25479.62	25223.22	25341.86	3.28	0.01	-3	29044.44	22951.83	-10.3	10.4
Jakarta Composite (Indonesia)	4845.37	4808.26	4845.37	28.72	0.60	5.5	5523.29	4120.5	-11.2	-0.6
Nikkei 300 (Japan)	275	270.84	270.97	-1.88	-0.69	-12.9	343.2	242.81	-14.2	8.9
Nikkei Stock Avg (Japan)	17033.65	16758.67	16758.67	-120.29	-0.71	-12	20868.03	14952.61	-13.2	10.6
Topix Index (Japan)	1367.88	1346.83	1347.2	-9.09	-0.67	-12.9	1691.29	1196.28	-13.3	9.2
Kuala Lumpur Composite (Malaysia)	1719.74	1713.22	1717.58	-0.24	-0.01	1.5	1862.8	1532.14	-6.2	0.9
S & P/NZX 50 (New Zealand)	6758.01	6715.92	6752.42	38.26	0.57	6.8	6752.42	5546.88	15.8	15.1
KSE 100 (Pakistan)	33189.03	32910.47	33139	216.6	0.66	1	36228.88	28927.04	9.6	22.2
PSEI (Philippines)	7357.96	7229	7262.3	-36.93	-0.51	4.5	8127.48	6084.28	-9.1	2
Straits Times (Singapore)	2855.45	2831.11	2840.9	-31.88	-1.11	-1.5	3539.95	2532.7	-17.7	-4.9
Kospi (South Korea)	2007.43	1986.74	1995.85	-6.29	-0.31	1.8	2173.41	1829.81	-1.6	-0.2
Colombo Stock Exchange (Sri Lanka)	6076.22	6040.11	6071.88	30.89	0.51	-11.9	7498.78	5862.35	-12.6	1.9
Weighted (Taiwan)	8803.91	8695.08	8744.83	7.79	0.09	4.9	9973.12	7410.34	-8.9	3.4
SET (Thailand)	1412.92	1402.01	1407.7	-2.59	-0.18	9.3	1570	1224.83	-8.1	-3.4
Europe										
Stoxx Europe 600 (Europe)	340.25	336.9	337.54	-3.64	-1.07	-7.7	414.06	303.58	-15.1	4.7
Stoxx Europe 50 (Europe)	2814.05	2785.98	2790.17	-31.45	-1.11	-10	3591.47	2566.26	-18.8	1.1
Euro Stoxx 50 (Euro zone)	3038.73	2998.7	3004.93	-39.17	-1.29	-8	3828.78	2680.35	-19.1	4.6
Euro Stoxx (Euro zone)	324.96	321.06	321.54	-3.9	-1.20	-6.8	392.35	284.92	-15.4	6.5
ATX (Austria)	2282.51	2254.93	2270.38	-4.7	-0.21	-5.3	2681.44	1957.05	-10.8	-1.2
Bel-20 (Belgium)	3405.6	3369.64	3373.04	-46.34	-1.36	-8.8	3905.71	3130.76	-10.6	9.2
PX 50 (Czech Republic)	902.4	891.5	899.9	-0.91	-0.10	-5.9	1058.4	845.9	-14.2	-2.2
OMX Copenhagen (Denmark)	854.9	846.49	846.76	-6.25	-0.73	-6.6	923.55	745.49	-1.7	20.1
OMX Helsinki (Finland)	8083.37	7991.85	7999.57	-119.53	-1.47	-6.9	9374.42	7257.23	-11.2	9.2
CAC 40 (France)	4419.62	4378.77	4385.06	-59.36	-1.34	-5.4	5268.91	3896.71	-13.6	5.5
DAX (Germany)	10021.34	9947.02	9965.51	-81.1	-0.81	-7.2	12374.73	8752.87	-16.7	8.5
BUX (Hungary)	26452.41	26132.53	26451.02	136.72	0.52	10.6	26451.02	20002.45	32.2	14
FTSE MIB (Italy)	18300.29	17971.67	18116.88	-258.44	-1.41	-15.4	24031.19	15773	-22.3	5.7
AEX (Netherlands)	444.05	439.58	440.11	-6.13	-1.37	-0.4	509.24	382.61	-10.6	8.1
All-Shares (Norway)	635.01	624.82	627.91	-7.04	-1.11	-3.2	711.22	552.32	-6	6.6
WIG (Poland)	49017.35	48620.24	49017.35	26.83	0.05	5.5	57379.45	42152.7	-9.5	2.8
PSI 20 (Portugal)	5091.05	5018.97	5020.61	-104.98	-2.05	-5.5	6324.88	4460.63	-16.8	-4.8
RTS Index (Russia)	882.75	858.62	876.2	6.34	0.73	15.7	1082.21	628.41	-6.1	-15.7
IBEX 35 (Spain)	8827.9	8698.3	8723.1	-147.1	-1.66	-8.6	11866.4	7746.3	-25	3.3
SX All Share (Sweden)	484.25	481.98	483.41	-2.55	-0.52	-4.3	564.9	435.21	-11.5	8.8
Swiss Market (Switzerland)	7835.7	7786.56	7807.89	-37.19	-0.47	-11.5	9526.79	7496.62	-14.5	unch.
BIST 100 (Turkey)	83446.84	82486.84	83268.04	350.29	0.42	16.1	88651.88	68567.89	1.9	-1
FTSE 100 (U.K.)	6203.4	6149.8	6174.9	-28.27	-0.46	-1.1	7104	5537	-9.6	-1.2
FTSE 250 (U.K.)	16977.71	16885.17	16926.12	-48.83	-0.29	-2.9	18263.46	15178.8	-2	6.7
Americas										
DJ Americas (Americas)	495.94	493.43	494.27	-0.63	-0.13	1.4	524.44	433.35	-3	6.9
Merval (Argentina)	13064.42	12891.31	12992.43	119.53	0.93	11.3	14173.87	9288.41	17.3	56.6
Sao Paulo Bovespa (Brazil)	51248.29	49642.15	50055.27	-1193.65	-2.33	15.5	58051.61	37497.48	-5.8	-3.9
S & P/TSX Comp (Canada)	13548.17	13475.28	13494.36	-9.62	-0.07	3.7	15450.87	11843.11	-10.2	1.9
Santiago IPSA (Chile)	3137.49	3108.73	3127.67	-7.13	-0.23	6.2	3359.04	2759.77	-3.4	-6.4
IPC All-Share (Mexico)	46276.99	45663.63	45881.08	-310.43	-0.67	6.8	46191.51	40265.37	3.8	1.3
Caracas General (Venezuela)	14868.54	14574.79	14574.79	-290.68	-1.96	-0.1	16820.52	5300.09	167.1	186.5
Other Countries										
CASE 30 (Egypt)	7530.65	7430.88	7524.99	39.93	0.53	7.4	9121.92	5713.35	-15.4	13.2
Tel Aviv (Israel)	1461.43	1449.74	1450.39	-12.13	-0.83	-5.1	1723.56	1383.34	-11.6	5.4
Johannesburg All Share (South Africa)	52495.46	51800.57	52250.28	-245.18	-0.47	3.1	55188.34	46282.02	0.04	9.4

*Europe, Australia, Far East; U.S.-dollar terms.

Three year percent change is annualized.

Sources: SIX Financial Information; Thomson Reuters, WSJ Market Data Group

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority, and (c) in Australia, CIBC Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC") and (d) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2016 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.