

The U.S. and Canadian economies continue to remain resilient in the face of global headwinds. We have seen some positive momentum build from the G-20 meeting as trade tensions between the U.S. and China have cooled with talks resuming and further tariffs are put on hold. The trade dispute caused business confidence to slump recently, leading to slowing spending in equipment and manufacturing. U.S. consumer confidence however, remains positive. Inflation remains in check and we are likely to see further easing of interest rates, which is a positive for the markets.

Despite the positive momentum we will likely see some volatility over the next few months as many equities are reaching new highs and the markets need to consolidate before moving higher. The conundrum we now face is that as the markets rise, the likelihood of rate cuts lessens. The central question now becomes how much of the momentum is built on the anticipation of future easing and how much is based on fundamentals.

Jobs numbers in the United States were strong, however the market reaction was negative, which revealed the emphasis on the importance of rate cuts to the economic picture. The signs do point to future easing with the global economy losing momentum, keeping a July rate cut Stateside still an option. The U.S. Federal Reserve has committed to act as necessary to maintain the expansion and with wage growth tepid, inflation below historical guidelines and growth stalling, the Federal Reserve has the impetus to act. The economy has been expanding for 10 years now and the stimulus measures are well incorporated. We are late in the business cycle, yet a recession is still not likely imminent, especially if interest rates go lower.

China continues stimulus measures which will help the global economy over the second half of the year. We have also seen a rebound in the price of oil.

In this environment we maintain our stance that companies with solid dividends and earnings remain the area of choice.

"A little hyperbole never hurts. People want to believe that something is the biggest and the greatest and the most spectacular. ... I call it truthful hyperbole. It's an innocent form of exaggeration - and a very effective form of promotion."

-Donald Trump

Have a great month and as always please call or e-mail us with any questions or any time that you just want to touch base.

We're here to help!

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