Happy Thanksgiving!

October has been a volatile month with markets being driven by daily headlines. Despite all of the volatility, the S&P 500 and the TSX remain relatively flat year over year as the markets seek direction. The trade dispute and Brexit remain an overhang, however there are positive signs emerging. Consumer confidence remains solid and the housing market is improving. The underlying economic fundamentals do not signal a pending recession. The global economy, although slowing, appears to be showing some signs of stabilizing as easing monetary policy continues to be the focus. We are seeing lower interest rates in the United States and Europe and an uptick in Chinese credit. If we see some form of trade truce it may move the markets out of the current trading range and allow for a stronger fourth quarter.

Trade policy remains the largest risk to the Global economy, however both China and the U.S. have domestic issues that must be addressed. Trump faces re-election and China needs to be perceived as a burgeoning capitalist nation in the eyes of global business. The U.S. dollar remains strong, however if we see global economic conditions improve the dollar should retreat . Inflation remains in check, however we could see signs of it picking up in 2020 and this will help shape monetary policy. Markets will likely remain volatile in the short term. The risk we face is that negativity builds to a point that fear affects consumer and corporate behavior.

We have recently seen weak manufacturing and service numbers reported in the United States. There is a concern that if the service sector slows then consumers may slow their spending and it is consumer spending that drives much of the US economy. It is likely that the manufacturing numbers were affected by the on-going trade dispute as companies were unwilling to spend when there was so much uncertainty. The G.M. strike also had an effect. This likely caused the service sector to lag as well. These factors are important to monitor and will be a key signal that the economy is moving toward recession. Some of this fear was alleviated by the good jobs numbers Stateside which were followed up by strong Canadian numbers.

Equities remain attractive relative to bonds and this should mute the magnitude of any corrections. We remain focused on companies with strong cash positions and increasing dividends. This allows for income stability for our clients to maintain purchasing power or reinvest for the future.

Have a Great Month!

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