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MARKET SUMMARY— Global equity markets were stronger in May relative to the earlier few months, despite higher ongoing levels of global uncertainty. The S&P/TSX Composite posted a total return gain of 1.00% for May, while the smaller cap S&P/TSX Venture gained just over 0.50%. To the south, U.S. equity markets fared even more positively with the S&P500 index posting a total return gain of 1.80% while the NASDAQ closed out the month with a solid 3.84% gain.

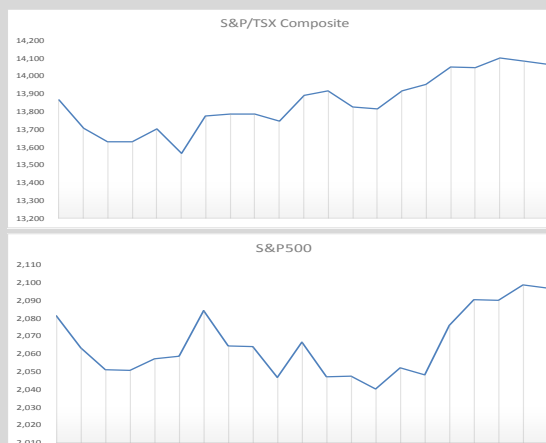
The Eurozone saw positive returns through May as well, with the EUROSTOXX 50 climbing 2.86% and the FTSE100 rising a more measured 0.32%. Globally, Europe and the East improved their year-to-date performance returns in May, but the MSCI EAFE remained in negative territory delivering a loss of 0.91%. Emerging markets comparatively dropped a more significant 3.73% over the same period, amid growing concerns that the U.S. Federal Reserve would resume monetary normalization. Market participants were also being cautious due to the impending Brexit referendum, which brought global equity markets to their knees by late June, and has subsequently cast a shadow of uncertainty that has sent global financial markets into retreat.

Oil prices trended upward in May, resuming a partial recovery that extended into June and provided a 11.50% gain for benchmark WTI. Oil's favorable performance has had a positive effect on the Canadian dollar, which continued to appreciate through May vs. the USD. As with global equities however, commodity prices including oil, and major currency values vs. the USD all quickly reversed on the outcome of the U.K. referendum by late June.

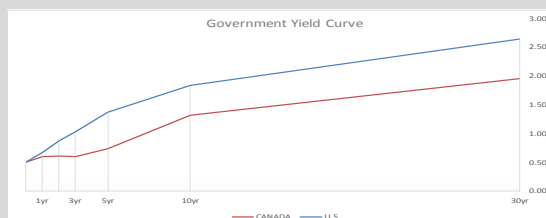
MARKET & ECONOMIC ENVIRONMENT—Economic growth has been sluggish despite the best efforts of global central banks to entrench a path of resilient and sustainable expansion. With what started as moderate headwinds that appeared to affect the emerging markets regions more specifically, and then more precipitously spreading across resource exporting nations and leading to a collapse of global resource prices, an increasing number of downside risks and challenges have become pervasively obvious.

MARKET DIARY -- MONTH AT A GLANCE

Equities	Close May 31	MoM TotRet	YTD TotRet
S&P/TSX Composite	14,241.29	1.00%	9.46%
S&P/TSX Venture	679.20	0.51%	29.21%
Dow Jones	18,006.42	0.49%	3.34%
S&P500	2,116.86	1.80%	3.57%
NASDAQ	4,979.29	3.84%	-0.56%
FTSE 100	6,358.67	0.32%	1.86%
EURO STOXX 50	3,148.04	2.86%	-3.66%
Nikkei 225	17,381.54	3.41%	-8.68%
MSCI EAFE	4,775.97	-0.91%	-1.10%
MSCI Emerging Markets	349.56	-3.73%	2.32%



Fixed Income	Yield	MoM Chg	YTD Chg
			
BoC Overnight Rate	0.50%	n/c	n/c
3mos Canada T-Bill	0.54%	-1 bps	4 bps
2yr Canada	0.61%	-8 bps	13 bps
10yr Canada	1.32%	-19 bps	-8 bps
30yr Canada	1.96%	-12 bps	-19 bps
			
Fed Funds Rate	0.50%	n/c	n/c
90d U.S. T-Bill	0.33%	9 bps	-14 bps
2yr UST	0.88%	10 bps	-17 bps
10yr UST	1.85%	1 bps	-42 bps
30yr UST	2.65%	-3 bps	-37 bps



Currencies	May 31	MoM Chg	YTD Chg
CAD/USD	0.76	-4.11%	5.69%
USD/CAD	1.310	4.28%	-5.39%
CAD/EUR	0.69	-1.38%	3.10%
CAD/JPY	84.56	-0.31%	-2.65%
CAD/GBP	0.53	-3.25%	7.54%

Market Factors	May 31	MoM Chg	YTD Chg
Volatility Meter – VIX	14.19	-0.09	-0.22
Advance/Decline – TSX	1.15	0.07	0.60

Source: Bloomberg

The U.S. economy, just six months ago considered a bastion of global economic salvation, has also succumbed to pressures. While few would have doubted the momentum of the American economy earlier, more recently, weaker economic data and persistent delays in action by the U.S. Fed in resuming its course of monetary normalization has cast further uncertainty and fears of a global economy that appears to be stalled.

The usual suspects—high debt levels, the global resource shock, the EM slow-down and a confluence of imbalances within China have continued to impede, but add to this list a number of fresher concerns; rising geopolitical risks, an aging business cycle, specific concerns about the banking sector, and uncertainties regarding the European Union. While global growth has undoubtedly softened and specific risks have amplified, economic growth has remained positive and the possibility of economic recession has largely, but not completely, been dismissed. Looking squarely at the U.S., the Fed appears caught in a neutral policy stance—now eight years past the 2008/09 financial crisis. Fed chair Yellen commented that there are long-lasting and more persistent factors that may be holding down the longer-run level of neutral rates, and rates could stay low for a prolonged time. In continually evaluating and re-evaluating the affect of monetary normalization on a tepid global economy, it is now highly likely that the Fed will wait until the end of 2016 and even possibly into 2017 before resuming its rate hike posture. With weaker U.S. employment numbers evident in May (which is a key Fed focus issue), stimulus will remain in place and the Fed's rising rate course will remain on temporary hold.

GLOBAL—The United Kingdom went to the polls on June 24 in a national referendum to determine whether Britain would remain within the European Union or hasten an exit. The so called “Brexit” would dissolve the U.K.’s participation in the economic union (although the U.K. never did participate in a currency union under the Euro). Britain has until now maintained its economic partnership with Europe since 1973, and currently it conducts over half of its trade with other EU member countries.

While the outcome was expected to be very close and markets were preparing for either eventuality, the more widely anticipated outcome was that the EU would remain intact, with Britain choosing to stay. The results of the referendum however shocked many, and somewhat surprised markets with a vote of **51.9% in favour of withdrawal**.

The immediate impact to financial markets was swift and sharp; European equities plunged high single digits before only partially recovering across most major markets, including the FTSE 100 down about 5% in the first trading day following the referendum. The British pound has hit its lowest level since 1985, falling significantly against the U.S. dollar and other major world currencies. Oil prices also tumbled with the U.S. benchmark WTI falling to under \$48 a barrel. North American equity markets subsequently declined and followed a downward trend before calming and bouncing back partly, however ongoing uncertainty has carved a choppy path.

Within the U.K., tension has been building that Scotland and Ireland would potentially seek their own membership with the EU, independent from an exiting England. Fears of other nations potentially holding their own referendums and exiting could pose a potential threat to the very institution of the EU itself. The potential uncertainty that this situation has created posed a cloud over global markets, and if nothing more significant, will feed elevated levels of global market volatility.

While the impact of the Brexit decision is indeed significant, not only for the U.K. and for Europe, but also for global markets including financial markets here in North America, investors must remain reassured in the sustainability of their portfolios in relation to their longer-term financial goals and objectives. Uncertainty created by situations such as these often results in overreaction and panic—and similar to the financial crisis of 2008, rash action **after the fact** may only guarantee that temporary losses experienced may become permanent. With all crises come opportunities, and similar to the opportunities that followed the 2009 post-financial crisis rebound, investors should give consideration to the potential opportunities that this situation may now present.

CANADA—While the Canadian economy continues to advance slowly under the weight of ongoing resource constraint, more liberal fiscal policies (which will feed higher future budget deficits) and higher longer term bond yields (led by widening credit spreads) are forcing the Bank of Canada to tackle multiple concerns as it seeks to navigate the Canadian economy through choppy financial waters. Concerns like a potential housing bubble in key urban markets such as Vancouver and Toronto may appear to be topics of specific concern for the central bank, but the more significant issues are those emanating out of China and now Europe. As a significant economic contributor to global GDP, and a significant purchaser of commodity based Canadian exports, the level of dependency on the Chinese economy is being very closely watched by the BoC.

UNITED STATES—The shock of Brexit continues to reverberate through global markets sending increasingly clear signals that the global economy will remain under ongoing economic pressure and uncertainty, and giving cause for the U.S. Fed to lament on its course for rate normalization. Weaker U.S. economic data, now exacerbated by European uncertainty will most likely defer any potential Fed rate action until well into 2017.

KEY ECONOMIC INDICATORS – CANADA



Event	Date	Consensus Est.	Prior
RBC Canadian Manufacturing PMI (May)	Jun 1	A 52.1	52.2
Int'l Merchandise Trade (Apr)	Jun 3	-2.55Bil (A -2.94Bil)	-3.41Bil (R -3.18Bil)
Housing Starts (May)	Jun 8	189.0k (A 188.6k)	191.5k (R 191.4k)
Building Permits MoM (Apr)	Jun 8	1.50% (A-0.30%)	-7.00% (R -6.30%)
Capacity Utilization (Q1)	Jun 9	81.30% (A 81.40%)	81.10% (R 80.90%)
New Housing Price Index YoY (Apr)	Jun 9	2.10% (A 2.10%)	2.00%
Net Change in Employment (May)	Jun 10	1.8k (A 13.8k)	-2.1k
Unemployment Rate (May)	Jun 10	7.20% (A 6.90%)	7.10%
Participation Rate (May)	Jun 11	A 65.7	65.8
Manufacturing Sales MoM (Apr)	Jun 15	0.60% (A 1.00%)	-0.90%
Existing Home Sales MoM (May)	Jun 15	A -2.80%	3.10%
Int'l Securities Transactions (Apr)	Jun 16	A 15.52Bil	17.17Bil (R 17.05Bil)
CPI YoY (May)	Jun 17	1.60% (A 1.50%)	1.70%
CPI Core YoY (May)	Jun 17	2.10% (A 2.10%)	2.20%
Wholesale Trade Sales MoM (Apr)	Jun 20	0.50% (A 0.10%)	-1.00% (R -0.80%)
Retail Sales MoM (Apr)	Jun 22	0.80%	-1.00%
Retail Sales Ex Auto MoM (Apr)	Jun 22	0.70%	-0.30%
Industrial Product Prices MoM (May)	Jun 30	n/a	-0.50%
GDP YoY (Apr)	Jun 30	n/a	1.10%

A=actual; R=revised

Source: Bloomberg

KEY ECONOMIC INDICATORS – U.S.



Event	Date	Consensus Est.	Prior
Markit US Manufacturing PMI (May F)	Jun 1	50.50 (A 50.7)	50.50
ISM Manufacturing (May)	Jun 1	50.30 (A 51.30)	50.80
Construction Spending MoM (Apr)	Jun 1	0.60% (A -1.80%)	0.30% (R 1.50%)
Wards Domestic Vehicle Sales (May)	Jun 1	13.55Mil (A 17.37Mil)	13.48Mil
Wards Total Vehicle Sales (May)	Jun 1	17.30Mil (A 17.37Mil)	17.32Mil
Initial Jobless Claims (May 28)	Jun 2	270k (A 277k)	264k
Trade Balance (Apr)	Jun 3	-\$41.0Bil (A 37.4Bil)	-\$40.4Bil (R -\$35.5Bil)
Change in Nonfarm Payrolls (May)	Jun 3	160k (A 38k)	160k (R 123k)
Unemployment Rate (May)	Jun 3	4.90% (A 4.70%)	5.00%
Average Hourly Earnings YoY (May)	Jun 3	2.50% (A 2.50%)	2.50%
Labor Force Participation Rate (May)	Jun 3	A 62.60%	62.80%
Factory Order (Apr)	Jun 3	1.90% (A 1.90%)	1.10% (R 1.70%)
Durable Goods Orders (Apr F)	Jun 3	-0.50%	3.40%
Consumer Credit (Apr)	Jun 7	\$18.000Bil (A \$13.416Bil)	\$29.674Bil (R 28.348Bil)
Wholesale Inventories MoM (Apr)	Jun 9	0.10% (A 0.60%)	0.10% (R 0.20%)
Wholesale Trade Sales MoM (Apr)	Jun 9	1.10% (A 1.00%)	0.70% (R 0.60%)
University of Michigan Sentiment Idx (Jun P)	Jun 10	94 (A 94.3)	94.7
Import Price Index YoY (May)	Jun 14	-5.90% (A -5.00%)	-5.70% (R -5.30%)
Retail Sales Advance MoM (May)	Jun 14	0.30% (A 0.50%)	1.30%
Retail Sales Ex Auto MoM (May)	Jun 14	0.40% (A 0.40%)	0.80%
PPI Final Demand YoY (May)	Jun 15	-0.10% (A -0.10%)	0.00%
PPI Ex Food and Energy YoY (May)	Jun 15	1.00% (A 1.20%)	0.90%
Industrial Production MoM (May)	Jun 15	-0.20% (-0.40%)	0.70% (R 0.60%)
Capacity Utilization (May)	Jun 15	75.20% (A 74.90%)	75.40% (R 75.30%)
FOMC Rate Decision	Jun 15	0.50%	0.50%
Philly Fed Business Outlook (Jun)	Jun 16	1 (A 4.7)	-1.8
CPI YoY (May)	Jun 16	1.10% (A 1.00%)	1.10%
CPI ex-Food & Energy YoY (May)	Jun 16	2.20% (A 2.20%)	2.10%
Housing Starts (May)	Jun 17	1150k (A 1164k)	1172k (R 1167k)
Housing Starts MoM (May)	Jun 17	-1.90% (A -0.30%)	6.60% (R 4.90%)

Building Permits (May)	Jun 17	1145k (A 1138k)	1116k (R 1130k)
Building Permits MoM (May)	Jun 17	1.30% (A 0.70%)	3.60% (R 4.90%)
Existing Home Sales (May)	Jun 22	5.55Mil	5.45Mil
Existing Home Sales MoM (May)	Jun 22	1.80%	1.70%
New Home Sales (May)	Jun 23	560k	619k
New Home Sales MoM (May)	Jun 23	-9.50%	16.60%
Durable Goods Orders (May Prelim)	Jun 24	-0.50%	3.40%
Durables Ex Transportation (May Prelim)	Jun 24	0.10%	0.50%
University of Michigan Sentiment Idx (Jun F)	Jun 24	94.1	94.3
GDP Annualized QoQ (Q1 2016 T)	Jun 28	1.00%	0.80%
S&P/Case-Shiller US HPI YoY SA (Aprn)	Jun 28	n/a	0.09%
Consumer Confidence Index (Jun)	Jun 28	93	92.6
Personal Income (May)	Jun 29	0.30%	0.40%
Personal Spending (May)	Jun 29	0.40%	1.00%
Chicago Purchasing Managers Index (Jun)	Jun 30	50.3	49.3

A=actual; R=revised

Source: Bloomberg

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