

Pre-Midterm Report

Equity markets rebounded sharply this week alongside a heavy dose of economic data and ahead of next week's U.S. midterm elections. By Friday afternoon, the S&P 500 rallied 1.9%, with materials, banks and consumer discretionary leading the pack. Despite the strong bounce off the October 29th low, the index remains tucked below its 200-day moving average. Meantime, the TSX added a more modest 1.2%, with gains in technology and materials offset by sluggish performances in utilities and energy. Europe outperformed, with gains in the 3%-to-4% range as the Bank of England remained on hold, and amid some positive chatter about a Brexit deal for financial services.

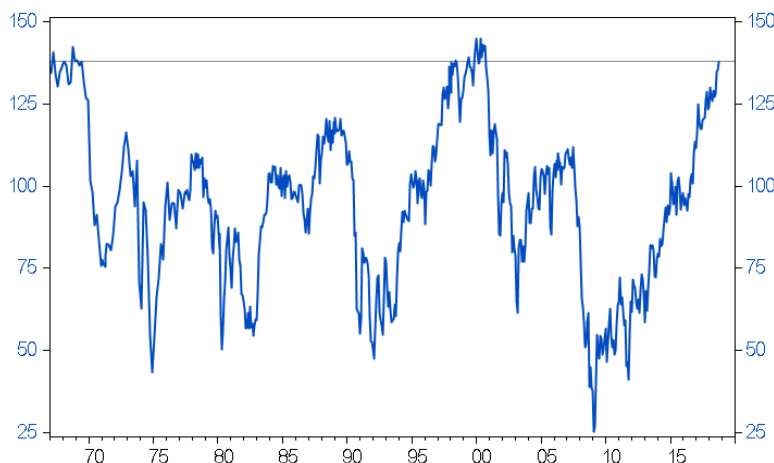
Market Performance as of November 2, 2018

	Current Price	Performance (percent)					2017
		1 Week	1 Month	3 Months	1 Year	YTD	
NIKKEI 225	22,244	5.0	-8.4	-1.2	-1.3	-2.3	19.1
China CSI 300	3,290	3.7	-4.3	-2.4	-17.7	-18.4	21.8
DAX	11,519	2.8	-6.3	-8.2	-14.3	-10.8	12.5
CAC 40	5,102	2.7	-6.7	-6.6	-7.4	-4.0	9.3
NASDAQ	7,339	2.4	-8.3	-5.9	9.3	6.3	28.2
FTSE 100	7,094	2.2	-5.1	-6.4	-6.1	-7.7	7.6
Dow Jones	25,173	2.0	-6.0	-0.6	7.0	1.8	25.1
S&P 500	2,710	1.9	-7.3	-4.1	5.1	1.4	19.4
S&P/TSX	15,063	1.2	-6.0	-8.2	-5.9	-7.1	6.0

Source: Bloomberg, as of 2:00 pm

Consumer Confidence

SA, 1985=100



and the late-1960s. Never mind that both of those periods marked the latter stages of technology-driven bull markets. U.S. auto sales also edged up in October, while they continued to slump in Canada.

Factories: Momentum appears to be fading in the manufacturing sector, with the U.S. factory ISM slipping to 57.7 in October as new orders slumped to the lowest in about a year-and-a-half.

Trade: The U.S. goods & services trade deficit widened to \$54.0 bln in September, not quite as much as expected, but a record trade deficit with China will surely keep the conversation going. In Canada, trade looks to still add solidly to Q3 growth.

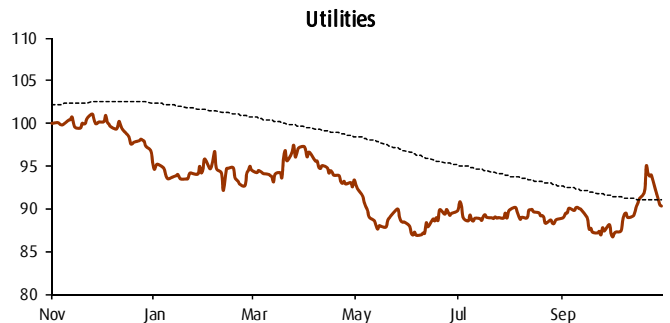
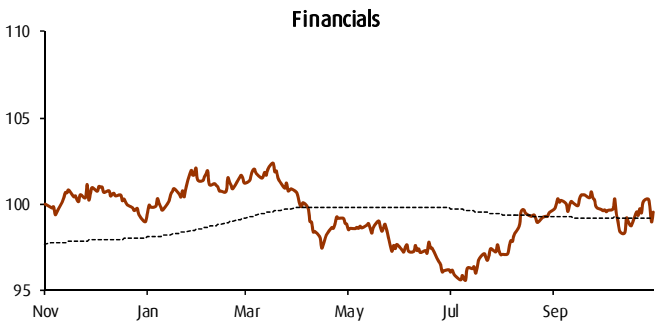
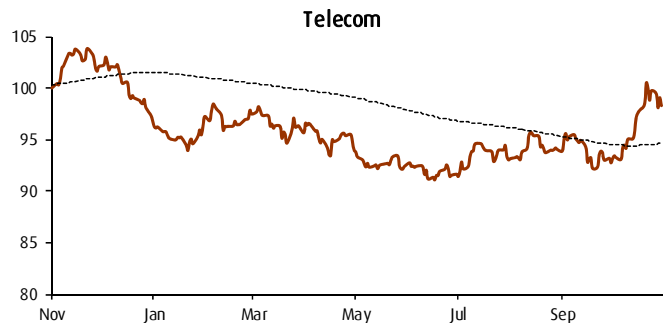
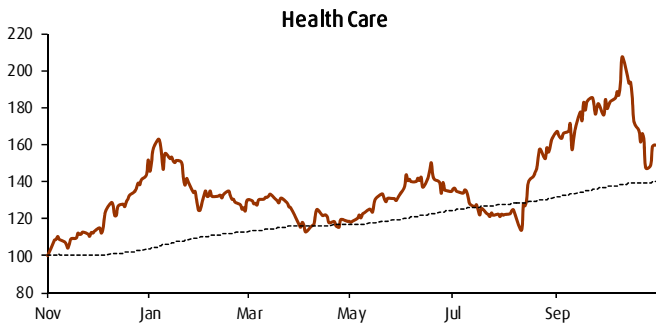
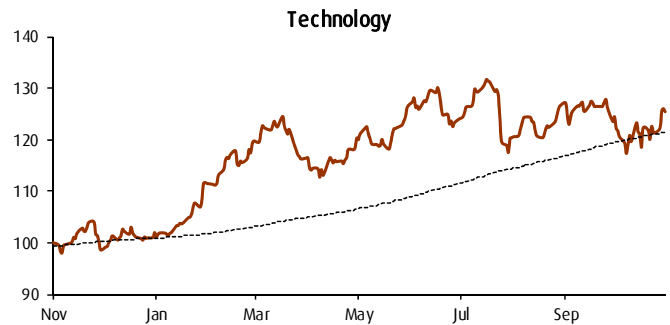
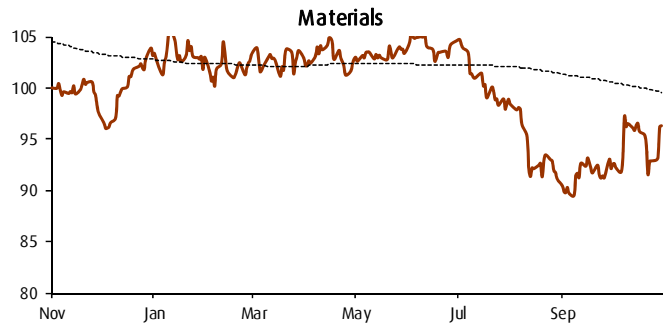
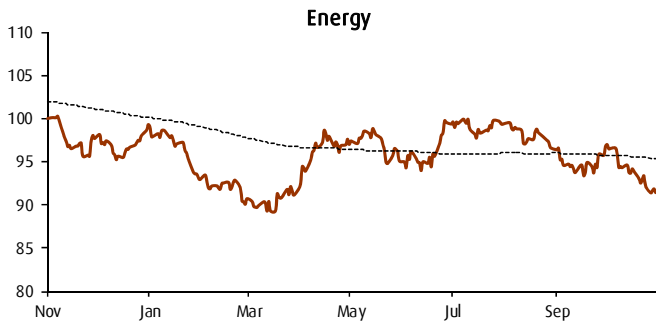
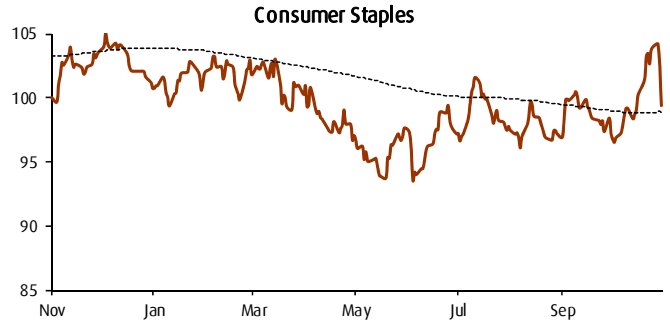
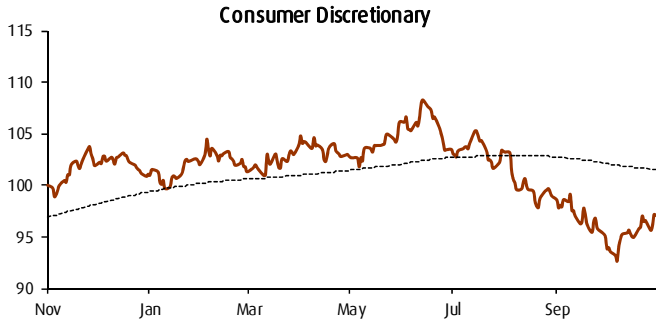
All told, North America is still cranking out solid growth, interest rates are headed back to neutral at least, and equities are trying to balance the scale.

On the data front, we saw a little bit of everything this week. Here's a quick rundown of how things look in North America heading into the latter stages of the year:

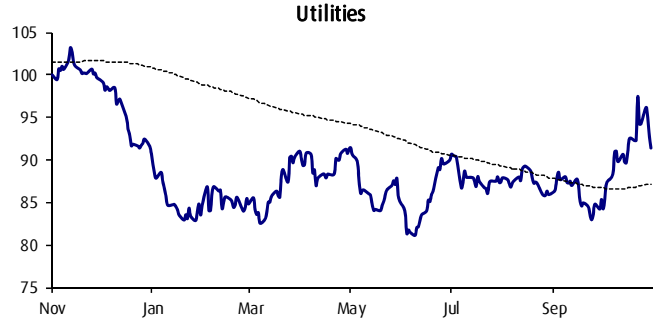
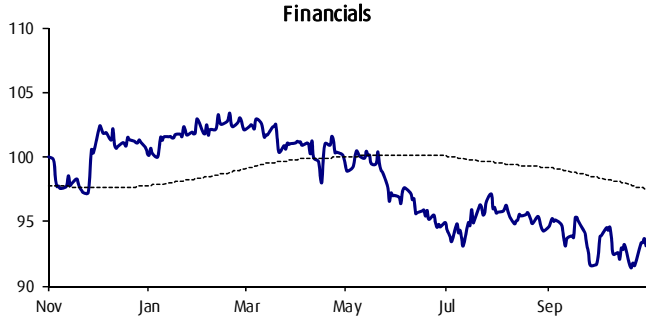
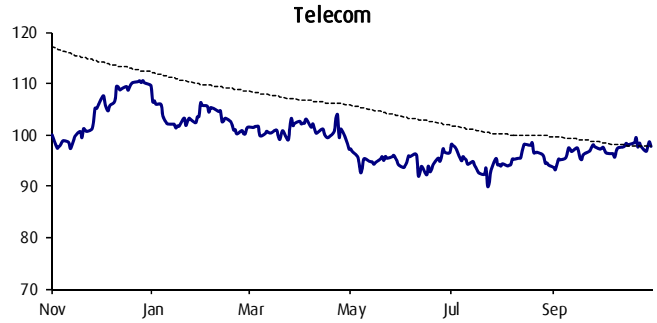
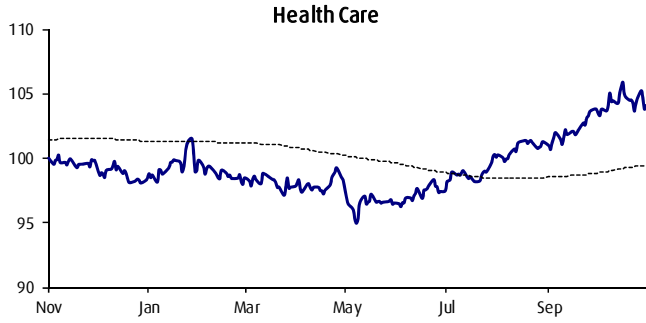
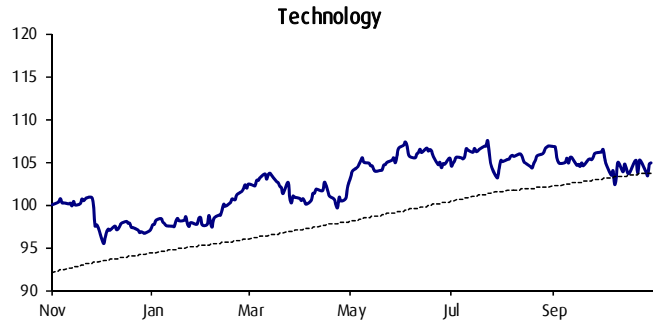
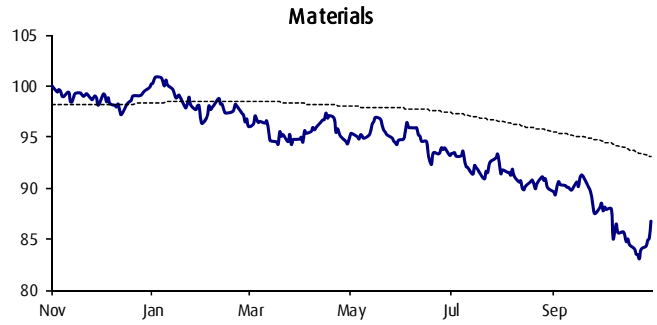
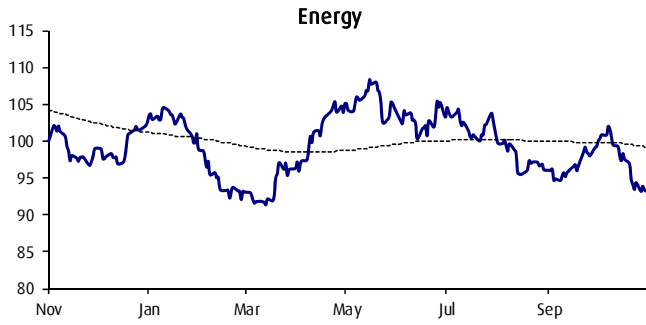
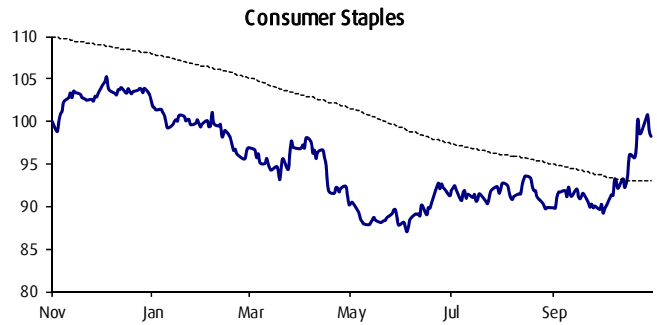
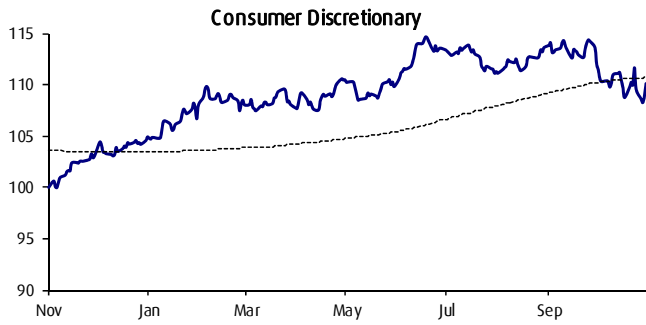
Labour market: U.S. payroll growth came in at a heated 250k in October, leaving the 3-, 6- and 12-month averages all above 210k. The jobless rate held at 3.7%, and wage growth popped to 3.1% y/y, a new cycle high. In a nutshell, this is the stuff of higher interest rates. Meantime, Canada's employment report was decidedly normal, if there is such a thing, reinforcing that the economy is shifting toward potential growth, and interest rates are going back to more neutral levels with it.

Consumer: The U.S. consumer is rock solid, with personal spending topping expectations in September and confidence hitting an 18-year high in October. In fact, we've only seen consumer confidence this high twice in modern history—the late-1990s

TSX Sector Performance (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



S&P 500 Sector Performance (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



North American Sector Performances as of November 2, 2018

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2017
Materials	5.1	-9.3	-9.2	-9.5	-11.8	21.4
Banks	4.4	-4.3	-8.7	-1.8	-6.0	20.0
Financials	4.0	-5.2	-6.0	-2.2	-6.0	20.0
Cons Discretionary	3.6	-7.8	-4.1	17.0	8.3	21.2
Industrials	2.4	-10.7	-6.5	-2.1	-6.7	18.5
Telecom Services	2.3	-6.6	0.2	2.7	-9.7	-6.0
Health Care	1.8	-6.9	-0.2	10.0	7.7	20.0
Cons Staples	1.8	1.2	2.5	3.2	-3.9	10.5
Energy	1.2	-12.5	-10.7	-1.6	-6.5	-3.8
Information Technology	0.5	-9.5	-5.6	9.4	8.6	36.9
Utilities	-0.9	-0.5	0.5	-3.7	0.5	8.3
S&P 600 Small Cap	3.9	-6.4	-8.4	6.9	3.5	11.7
S&P 400 Mid Cap	3.2	-7.2	-7.1	1.2	-2.5	14.5
S&P 100 Large Cap	1.4	-7.4	-3.6	5.8	1.9	19.3
S&P 500	2.0	-7.3	-4.1	5.1	1.4	19.4

TSX Sectors

Materials	5.0	-2.6	-10.2	-9.2	-12.1	6.3
Information Technology	4.3	-4.6	-4.3	17.1	15.5	16.2
Industrials	2.2	-6.0	-6.5	4.9	3.9	17.9
Gold	2.2	1.8	-9.5	-16.9	-17.6	-2.6
Cons Discretionary	2.0	-4.0	-13.6	-9.9	-10.8	20.4
Financials	1.4	-5.9	-5.9	-6.7	-7.1	9.4
Telecom Services	1.3	-0.1	-2.7	-7.2	-7.0	9.9
Banks	0.7	-6.7	-6.2	-5.4	-6.2	10.4
Health Care	-0.5	-14.5	20.0	60.3	7.5	32.7
Energy	-1.6	-10.8	-16.1	-13.0	-13.4	-10.0
Cons Staples	-1.8	-4.8	-6.2	-7.1	-9.2	6.4
Utilities	-2.8	-3.8	-6.9	-14.6	-14.4	6.2
Income Trusts	-0.5	-3.8	-3.7	-1.1	-3.0	4.5
REITs	-0.9	-2.4	-2.0	4.4	2.5	3.8
S&P/TSX 60 Large Cap	1.5	-5.5	-8.1	-5.2	-6.5	6.6
S&P/TSX Mid Cap	0.1	-7.2	-8.5	-8.4	-8.8	4.2
S&P/TSX Small Cap	-0.2	-7.3	-9.4	-11.0	-12.8	0.3
TSX	1.2	-6.0	-8.2	-5.9	-7.1	6.0

Source: Bloomberg, as of 2:00 pm

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