

## Further Along the Tightening Path

Equity markets were mixed this week alongside a solid run of U.S. economic data, a widely-expected Federal Reserve rate hike and confirmation that the ECB's QE program will wind down by the end of the year. The S&P 500 was flat, with gains in consumer discretionary and utilities offset by weakness in banks and energy. The TSX rose 0.7%, pushing back into positive territory on the year. One of the noteworthy aspects of Wednesday's FOMC statement was the removal of forward guidance pointing to the fed funds rate tracking below the neutral level, for some time. Recall this guidance was first introduced (in similar form) in March 2014, as the Fed began to carefully prime the market for rate hikes that would eventually begin more than a year-and-a-half later. As they put it then:

*The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run. –FOMC, March 2014*

### Market Performance as of June 15, 2018

	Current Price	Performance (percent)					2017
		1 Week	1 Month	3 Months	1 Year	YTD	
DAX	13,011	1.9	0.3	5.4	2.5	0.7	12.5
NASDAQ	7,746	1.4	5.4	3.6	25.7	12.3	28.2
CAC 40	5,502	0.9	-0.9	4.5	5.5	3.6	9.3
NIKKEI 225	22,852	0.7	0.1	4.8	15.2	0.4	19.1
S&P/TSX	16,314	0.7	1.3	4.1	7.6	0.6	6.0
S&P 500	2,779	0.0	2.5	1.2	14.3	4.0	19.4
FTSE 100	7,634	-0.6	-1.2	6.9	2.9	-0.7	7.6
China CSI 300	3,753	-0.7	-4.3	-8.4	6.4	-6.9	21.8
Dow Jones	25,090	-0.8	1.7	1.0	17.6	1.6	25.1

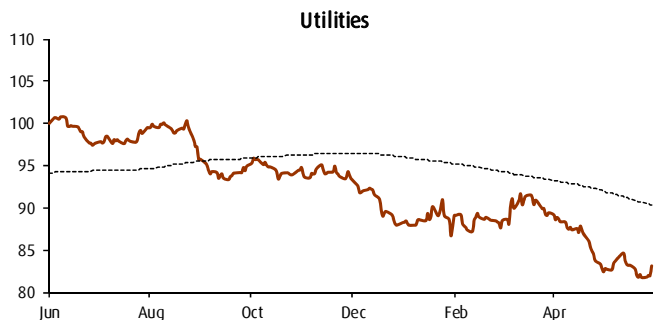
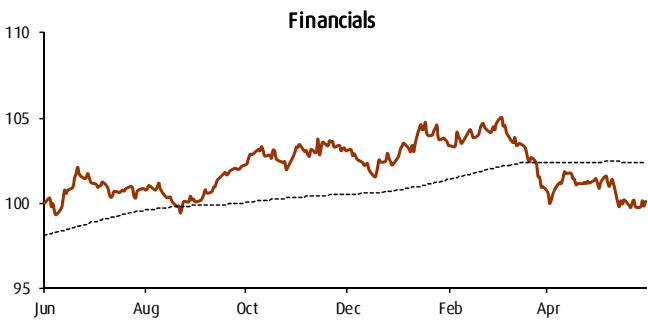
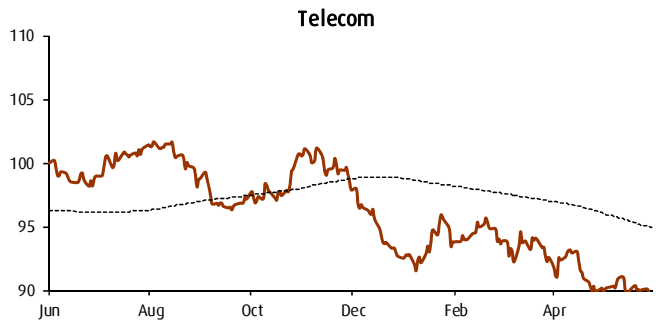
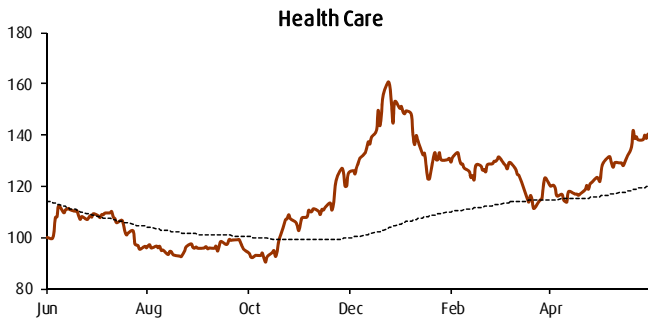
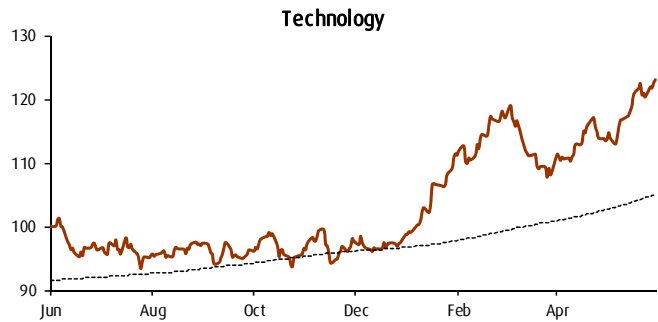
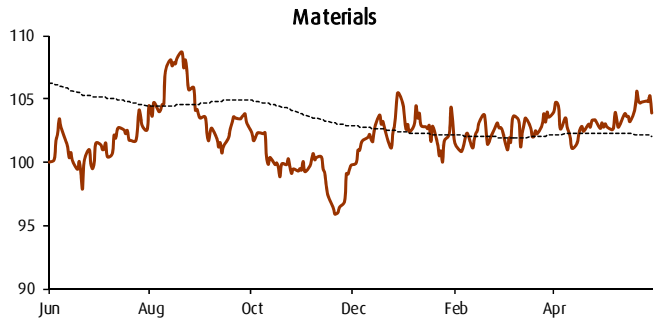
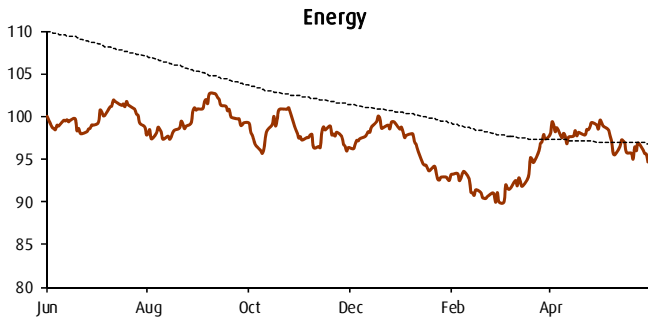
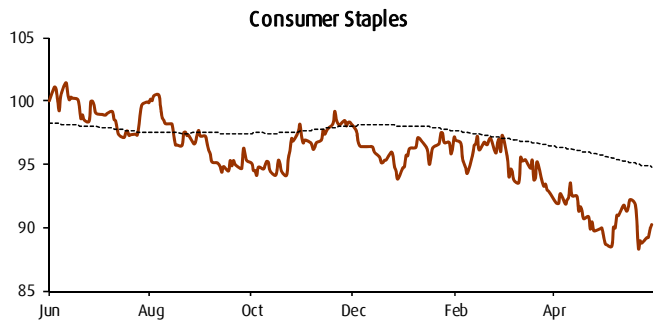
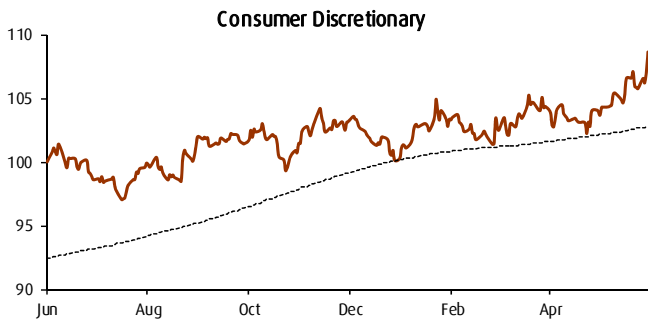
Source: Bloomberg.

Fed funds rate minus Core PCE inflation

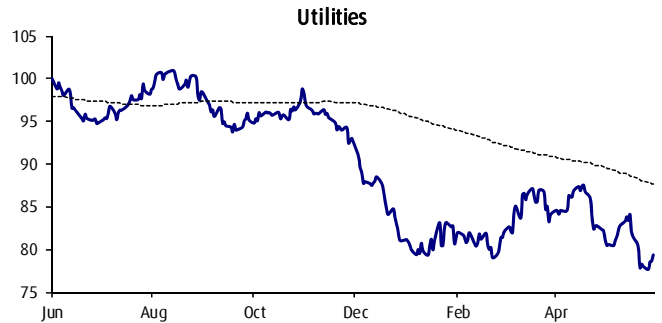
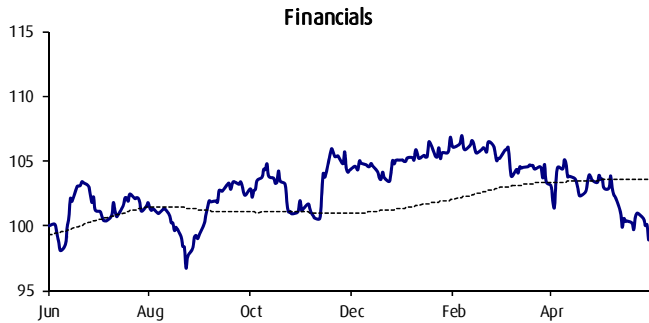
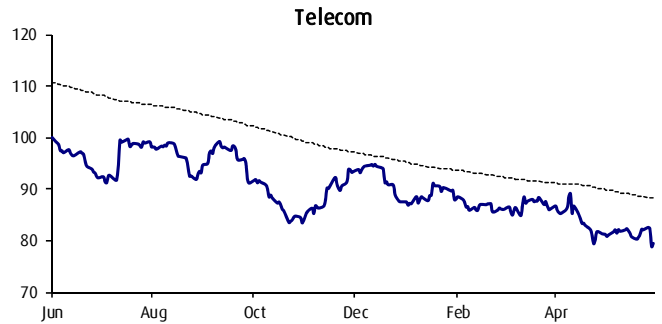
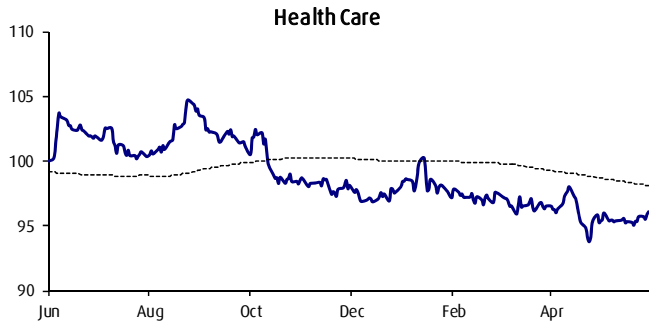
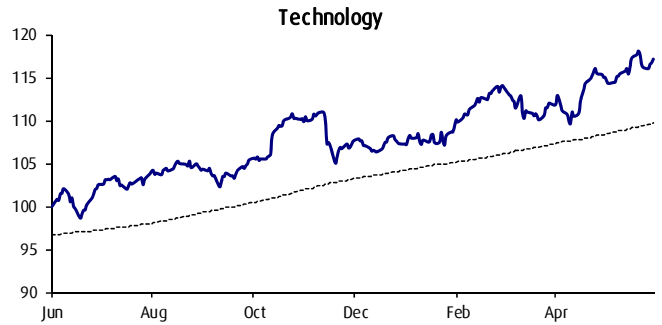
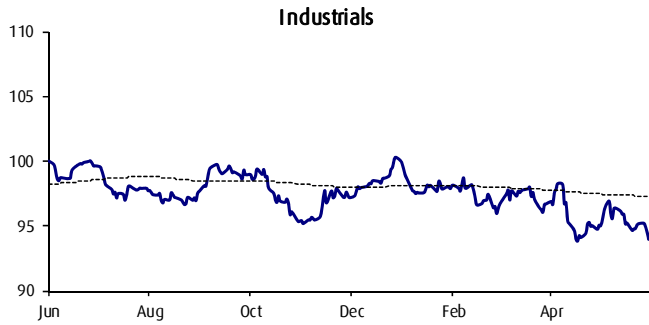
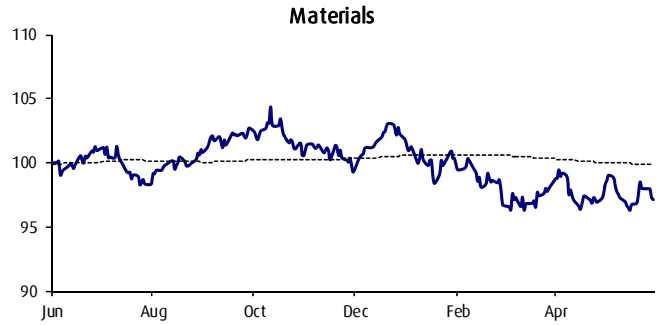
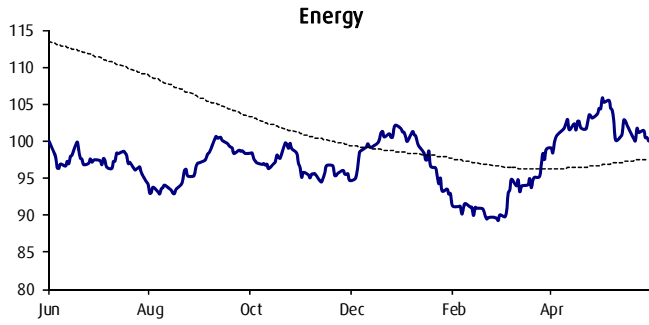
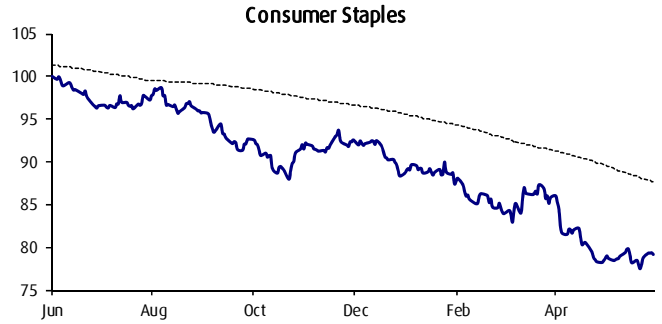
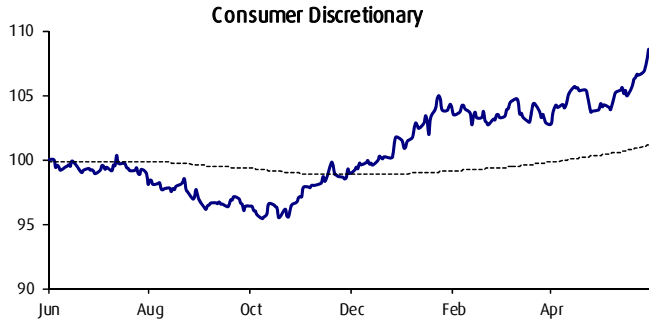


the 2002-07 cycle ending at 3.3% on the real fed funds rate. While we probably won't push that high this time around, consistent with downward-trending neutral rates, it also suggests the Fed's quarter-per-quarter tightening pace could run at least through the middle of next year before we have to really worry about it choking off the bull market.

**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 June 15, 2018

<b>S&amp;P 500 Sectors</b>	<b>1 Week</b>	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>YTD</b>	<b>2017</b>
Cons Discretionary	2.2	7.4	6.5	24.4	13.7	21.2
Utilities	2.1	-0.6	-1.0	-8.6	-6.4	8.3
Cons Staples	1.6	4.6	-3.7	-9.5	-10.1	10.5
Health Care	0.7	3.7	0.0	10.2	3.4	20.0
Information Technology	0.6	4.1	3.6	33.2	14.2	36.9
Industrials	-1.4	1.2	-1.4	7.6	-0.9	18.5
Materials	-1.4	1.5	1.1	10.8	-1.2	21.4
Financials	-1.7	-2.2	-4.6	13.2	-1.5	20.0
Telecom Services	-2.1	1.4	-5.5	-8.3	-11.5	-6.0
Banks	-2.2	-3.9	-6.0	15.1	-2.1	20.0
Energy	-2.6	-3.2	11.7	14.5	3.2	-3.8
S&P 600 Small Cap	0.0	5.8	8.1	21.3	11.0	11.7
S&P 100 Large Cap	-0.1	2.3	0.8	13.9	3.2	19.3
S&P 400 Mid Cap	-0.4	3.3	3.7	13.7	4.9	14.5
<b>S&amp;P 500</b>	<b>0.0</b>	<b>2.5</b>	<b>1.2</b>	<b>14.3</b>	<b>4.0</b>	<b>19.4</b>

### TSX Sectors

Cons Discretionary	3.5	6.0	9.6	16.8	7.6	20.4
Information Technology	2.7	9.9	8.8	34.0	28.8	16.2
Cons Staples	2.0	1.6	-3.2	-4.7	-5.8	6.4
Utilities	1.9	1.0	-1.9	-10.8	-9.2	6.2
Gold	1.4	2.9	6.9	-7.1	-2.4	-2.6
Industrials	1.3	5.5	9.7	15.5	8.4	17.9
Health Care	1.2	15.0	12.4	57.7	3.3	32.7
Financials	0.5	0.0	-0.3	8.0	-1.6	9.4
Banks	0.3	-1.0	-1.7	8.8	-1.5	10.4
Telecom Services	0.1	0.6	-1.0	-3.7	-6.6	9.9
Materials	-0.2	2.4	5.1	10.3	2.7	6.3
Energy	-0.6	-3.0	9.7	2.0	-2.8	-10.0
Income Trusts	1.4	3.1	2.5	0.8	-0.4	4.5
REITs	0.4	1.9	4.3	5.2	3.4	3.8
S&P/TSX 60 Large Cap	0.8	1.0	3.9	7.9	0.5	6.6
S&P/TSX Mid Cap	0.4	2.5	4.9	6.6	1.0	4.2
S&P/TSX Small Cap	-0.9	-0.8	3.7	5.1	-2.7	0.3
<b>TSX</b>	<b>0.7</b>	<b>1.3</b>	<b>4.1</b>	<b>7.6</b>	<b>0.6</b>	<b>6.0</b>

Source: Bloomberg.

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