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# Crude for Thought

The S&P 500 snapped a three-day winning streak to end the week on a whimper as disappointing earnings by some of the world's largest tech companies and consumer-staple firms jarred investors. That sent shares in those sectors markedly lower and thwarted what could have been the S&P 500's first five-day stretch of gains since mid-February. The late-week downturn in equities weighed on sentiment as investors hoped the earnings season would dig stocks out of a two-month rut. Of the 87 S&P 500 companies that have posted Q1 earnings so far, 79.3% beat estimates, according to Thomson Reuters. Yet, while firms reporting stronger-than-expected profits edged higher, those that missed expectations faced a harsh lashing. The energy sector, meanwhile, rose as crude relentlessly jumped 13% this year alone to extend its highest level to more than 3-years.

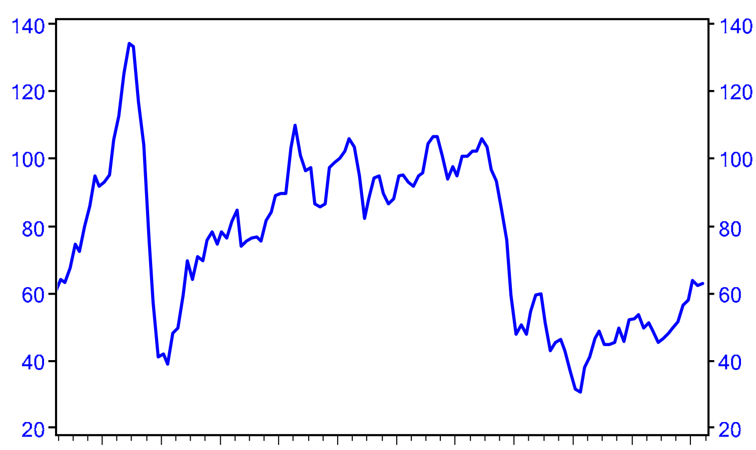
### Market Performance as of April 20, 2018

| | Current Price | Performance (percent) 1 Week | 1 Month | 3 Months | 1 Year | YTD | 2017 |
|---|---|---|---|---|---|---|---|
| CAC 40 | 5,413 | **1.8** | 3.1 | -2.1 | 6.6 | 1.9 | 9.3 |
| NIKKEI 225 | 22,162 | **1.8** | 3.7 | -6.9 | 20.2 | -2.6 | 19.1 |
| FTSE 100 | 7,368 | **1.4** | 4.3 | -4.7 | 3.5 | -4.2 | 7.6 |
| S&P/TSX | 15,484 | **1.4** | -0.8 | -5.3 | -0.9 | -4.5 | 6.0 |
| DAX | 12,541 | **0.8** | 1.9 | -6.7 | 4.3 | -2.9 | 12.5 |
| NASDAQ | 7,146 | **0.6** | -3.0 | -2.6 | 20.8 | 3.5 | 28.2 |
| S&P 500 | 2,670 | **0.5** | -1.7 | -5.0 | 13.3 | -0.1 | 19.4 |
| Dow Jones | 24,463 | **0.4** | -1.1 | -6.2 | 18.9 | -1.0 | 25.1 |
| China CSI 300 | 3,761 | **-2.8** | -7.8 | -12.2 | 8.6 | -6.7 | 21.8 |

Source: Bloomberg.

Domestic Spot Oil Price: West Texas Intermediate

$/Barrel



Source: Energy Information Admin/Chicago Mercantile Exch

Not surprisingly, oil's upward trek has now become the latest target for President Donald Trump as he took to twitter to slam OPEC for "*artificially*" high prices. The comments came as OPEC and friends showed a willingness to further restrain output.

While there has been some market volatility this year over the potential return of inflation and a potential bear market, higher oil prices brought those inflation fears to the fore, racketing up the list of worries for equity investors.

The TSX, meanwhile, gained 1.4% this week with positive developments on the NAFTA front, while the energy sector (almost 20% of the index weight) gained 1.7%. Earlier this week, the Bank of Canada surprised no one when rates were held steady at 1.25%. The Bank revised up its forecast for next year's growth and posted a sizeable upward revision to potential growth. That means the economy now has more room to run without stirring inflationary pressures—a good indication that policy makers are more "*comfortable*" with current capacity constraints. We still expect two more rate hikes this year, with the next one likely in July.