

Commentary

- Despite trade risks, the Bank of Canada is continuing on a hiking path by increasing the overnight rate from 125 bps to 150 bps, citing that “real GDP growth is projected to average 2.0 per cent over 2018 to 2020” during which “economic activity will be supported by continuing solid foreign demand and accommodative financial conditions”.
 - Market response was fairly muted as the rate hike was in line with expectations; analysts are pricing in a 70% chance of another rate hike by the end of this year.
- The Fed emphasized “solid” US economic growth in its semi-annual report to Congress and reiterated its expectation to continue to raise interest rates gradually and engage in quantitative tightening in an attempt to normalize its policy.
 - A persistent hiking path in addition to quantitative tightening point towards a flattening yield curve, which Morgan Stanley predicts will invert by mid-2019.
 - Analysts and investors are troubled by the Fed’s dismissal of the market signal, as every recession since the 1950s has been preceded by a curve inversion.
- The Trump administration is preparing an additional 10% tariff on Chinese goods worth \$200 billion, escalating the US-China trade war; the administration is preparing another tariff on Chinese goods worth \$16 billion.
- The S&P 500 reaches its highest closing level in more than five months, as gains in industrials and other areas offset a drop in financials; growth in the industrial, energy, and utility sectors are expected to lead gains over the next twelve months.

M&A Activity

- The Justice Department is appealing AT&T’s purchase of Time Warner. The merger was sanctioned in June by a federal judge and the appeal comes as a surprise to the AT&T leadership.
- Broadcom has agreed to acquire CA Technologies for \$18.9bn. The deal has raised eyebrows as Broadcom is paying a 20% premium for a company that diverges from their traditional focus on semiconductors. CA operates in the legacy mainframe software space and has not experienced sales growth since 2014.
- Michelin announced it’s intention to acquire Quebec tire manufacturer Camso for \$1.45bn. The intention is to consolidate Michelin’s off road tire operations with Camso to create a new division that will be managed in Quebec. The merger is expected to create the world’s top player in the off road tire market as Camso already accounts for 11% of the global market.

Key Indices Performance

Index	Close	Week	YTD
TSX	16,561.12	0.97%	2.14%
S&P 500	2,801.31	0.93%	4.38%
MSCI EAFE	1,973	-0.58%	-3.81%
10-yr GoC Yield	2.16%	0%	3.85%
Oil (\$/bbl)	\$70.56	-0.05%	16.88%
Canadian Dollar	US \$0.76	-0.56%	-4.97%

Events Calendar

- July 16** – New Housing Price Index MoM and YoY (May)
- July 17** – New Motor Vehicle Sales (May), Foreign Securities Purchases (May)
- July 18** – Manufacturing Sales MoM (May)
- July 19** – ADP Employment Change (June)
- July 20** – Core Inflation Rate YoY and MoM (June), Retail Sales MoM and YoY (June), Retail Sales Ex Autos MoM (May)

Article Reading List

Stay Informed

[Trade War Sparks Mounting Concerns of Growth Risks: Economy Week](#)
[S&P at Five-Month High](#)
[BoC Monetary Policy](#)
[FOMC Monetary Policy](#)
[Yield Curve Over Time](#)

Top 3 Podcasts This Week

[Bloomberg Brief](#)

Masters in Business: [James Donald Discusses the Sensitivity of Emerging Markets](#)

Planet Money: [Two Summer Indicators](#)