

Commentary

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- Leaders from the EU and Japan have signed an agreement to create the world's largest free-trade zone, covering about 30% of global output and 40% of global trade
 - Following the White House's trade wars and verbal attacks, many nations have taken to making free trade deals amongst themselves
 - Representatives for the Regional Comprehensive Economic Partnership continued negotiating their deal, which would include 16 countries from Asia & Oceania, and is expected to be in place by this Fall
 - The gains from, and sections of these deals are still relatively unimpressive compared to other modern trade agreements like the TPP, but they will still encourage growth and certain exporting industries could see hefty benefits such as European food and Japanese cars
 - The EU plans to continue making deals with countries in Latin America and Oceania
- The Chinese yuan has weakened 4-5% relative to the US dollar since June
 - This comes in the wake of tariffs and has raised beliefs that more devaluations could follow
 - However this is unlikely since China focuses not just on the CNY-USD rate but on other currencies weighed in the CFETS basket
 - Compared to the CFETS basket, China's yuan has only weakened 2.5% and this is reversing gains in the currency's strength from earlier this year
- Bank of Canada Governor, Stephen Poloz, commented that part of reason for the interest rate increases on July 11th was that the BoC must be concerned with its reputation among the people
 - Had the BoC not raised rates after its normal conditions for an interest-rate increase had been met, the bank's reputation among market participants would have been damaged
 - The BoC acknowledged the brewing trade war with the US, but also cited potential resolution to trade differences, and evidence that Canadian exporters continue to expand to alleviate concerns
- Trump has threatened to apply tariffs on all \$500 billion-plus of Chinese imports, and hopes to devalue the USD to compete
 - Economists expect that import tariffs would disrupt global manufacturing supply chains, raise input costs and prices for consumers, leading to slower economic growth
 - Additionally, if the dollar does devalue then investors might dump all their US assets and borrowing costs could rise

M&A Activity

- Salesforce.com has signed an agreement to acquire Datorama, an AI analytics firm for reportedly around \$800mm. This acquisition is expected to strengthen Salesforce's portfolio in marketing and analytics and improve its Marketing Cloud, allowing Salesforce to solidify its position against Adobe, Oracle and SAP.
- State Street Corporation is reported to buy Charles River Development for \$2.6bn and the deal will close in fourth quarter. With Charles River's Software as a Service (SaaS) capabilities, this gives State Street a service platform through which clients would be able to get in and out of funds as well as access investment and portfolio data.
- American International Group Inc. has closed its \$5.5bn acquisition of Validus Holdings (45.5% premium, \$68 per Validus share) announced in January. Validus diversified operations will boost AIG's earnings per share and return on equity.

Events Calendar

July 23: Wholesale Sales MoM (May), US Existing home sales (May)

July 24: Markit US manufacturing PMI flash (July), Markit US services PMI flash (July)

July 25: US New home sales (June)

July 26: US Advance trade in goods (June)

July 27: Budget Balance (May), US Gross domestic product (Q2), US Consumer Sentiment (July)

July 31: Industrial product and raw materials price indexes (June), GDP MoM (May), Producer Price Index MoM and YoY (June)

Key Indices Performance

| Index | Close | Week | YTD |
|------------------------|-----------|--------|--------|
| TSX | 16,435 | -0.76% | 1.36% |
| S&P 500 | 2802 | 0.02% | 4.40% |
| MSCI EAFE | 1985 | 0.62% | -3.22% |
| 10-yr GoC Yield | 2.17% | 0.46% | 0.13% |
| Oil (\$/bbl) | \$70.31 | -0.35% | 16.39% |
| Canadian Dollar | US \$0.76 | 0% | -4.30% |

Article Reading List

[Stay Informed](#)

[Trade Wars: A New Front](#)

[Canada inflation hits six-year high](#)

[Investors Give Up Crisis-Era Rate Protection](#)

[Trump rips Fed rate hikes](#)

[China's currency being used for trade war?](#)

[Bank of Canada's credibility on Poloz's mind](#)

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