Investment Planning Counsel®
IPC SECURITIES CORPORATION
CIPF Canadian Investor Protection Fund MEMBER

JOHN SOUTSOS – MARKET COMMENTARY – 1ST QUARTER 2017

Q1-2017 - Highlights

· Though global equity markets traded sideways in March, they ended the first quarter with a gain of 5.2%. We like the fact that most equity markets have been driven by earnings growth rather than P/E expansion so far in 2017, making the current rally more sustainable.

· The S&P 500 edged down in March, the first monthly decline in five months. A consolidation was to be expected after the stellar gains that followed the U.S. elections. The U.S. equity benchmark is currently trading at a P/E of just less than 18 times forward earnings, high by historical standards. In our view, investors are unlikely to push the multiple higher without fiscal stimulus and improvement in earnings expectations.

· The S&P/TSX ended Q1 with a gain of 1.7%. This disappointing relative performance was mostly due to energy stocks as increasing production still weighing on oil prices. That leaves leadership of the Canadian equity market to financials and materials.

· Going into Q2, we maintain our current asset mix tilted toward equities and away from bonds, with a higher-than-usual cash position. Though the current cyclical backdrop remains encouraging for equities, ongoing geopolitical risks leave us wary of adding to our position at this point.

Source: National Bank Financial, Monthly Equity Monitor, Economics and Strategy, April 2017

My evaluation of the market trend indicates that the North American equity markets are still in a primary up-trend. In addition, it appears European markets are now starting to gain momentum, as some money is rotating in from other parts of the world. Given these positive market conditions, I am recommending that clients maintain their current asset allocation between stocks and bonds.

In North America, valuation levels are at the high end of the range and therefore short to intermediate performance may flatten. Corporate earnings growth appears to be approaching double-digit levels again after a 2-year period of decline. **'IF'** corporate earnings growth accelerates further through this year, markets may break to new highs in Q3-Q4.

U.S. economic policy prescriptions by the new Presidential administration are highly favourable to the U.S. economy and corporate earnings. Optimism has already been reflected in current market valuations and there is now a period of market pauses for assessment, pending implementation.

If you have access to the internet, you can listen to 3 of our external investment specialists that manage components of various IPC Private Wealth and Counsel Portfolios.

You may access these brief audio presentations by clicking on this link below, or copying and pasting it onto your browser's url.

http://johnsoutsos.com/manager_insights/ipc-content/April-2017-IPC-Private-Wealth-Manager-Insights

Once on this page, each audio presentation must be clicked-on separately. These audio interviews are usually only about 5 minutes each in length.

If you have not had a portfolio review with me within the last 12 months, please contact my office to book a meeting in person or by telephone.

Once again, I thank you for the trust and loyalty you have demonstrated over the years and greatly appreciate your business.

Sincerely,

John Soutsos, CIM, EPC, B.Econ.
Investment Advisor, IPC Securities Corp.

P.S. We are always looking for new clients, your referrals would be welcomed.