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DEKKER HEWETT GROUP

Market Watch Weekly

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We entered into August with a string of record high closes on both the S&P 500 and the DOW, with the latter index breaching the 22,000 mark for the first time ever. Earnings season on both sides of the border were in full swing with US Q2/17 earnings per share growth and revenue growth far ahead of consensus. Market volatility was held in check and equities seemed to be priced fairly. A few market pundits were suggesting that discussions around market peaks and bubbles were in order, but it was summer and a relaxed feeling was evidently present.

What a difference one week makes! The President Trump versus Kim Jong Un war of words took center stage starting Monday. Trump started with his “Fire and Fury” comment, which mid-week he thought was perhaps not “tough enough” so he turned up the heat with his most recent “Locked and Loaded” threat.

Replies back from North Korea were equally incendiary as they warned that they were considering launching ballistic missiles as close to 30 kilometers from Guam. As expected, riskier assets were immediately sold off and funds found their way into safer haven government bonds, the Swiss Franc and the Japanese Yen. On Thursday, the DOW had its worst day since May and the South Korean KOSPI index closed the week off 3.5%.

By week’s end, with hopes for a more diplomatic solution to the US-North Korean tensions grabbing headlines, the four day losing streak was broken. Both Jim Mattis, America’s Defense Secretary, and Rex Tillerson, the Secretary of State, were suggesting that diplomatic efforts were succeeding and the market took a big sigh of relief.

Economic releases were very light through the week with the US Labor Department CPI stats this morning the lone market mover. The July number came in at 0.1% against expectations of 0.2% and produced a year-over-year increase of 1.7% versus the 1.8% consensus. The softer than expected and benign US inflation data weakened the US Dollar and drew money back into equities. The release is closely watched by the Federal Reserve and may well result in them taking a more cautious approach as they consider raising interest rates later in the year.

On a company specific note, one of our holdings, Microsoft, had a relatively strong week as the company announced software intended to make it faster for their clients to adopt blockchain technology. In 2018, they plan on releasing an open-source software called Coco that can handle 1,600 transactions per second, substantially more than other versions that currently generate roughly 13 transactions per second.

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On a closing note, this week marked the ten year anniversary of what many believe were the events that triggered the financial crisis of 2007-2008. BNP Paribas suspended trading in three funds linked to US mortgage backed securities and the subsequent market turmoil contributed to the collapse of Northern Rock, a UK mortgage lender. The BNP move resulted in the European Central Bank supplying liquidity to the markets, and the decision by many world central banks to ease monetary policy had begun. Zero interest rate policies and quantitative easing followed suit.

If we are indeed returning to a more normalized monetary policy, we may be at the inflection point this summer. This will be a key consideration for Dekker Hewett Group as we adjust our portfolios moving forward from an asset allocation and equity selection point of view.

For our business owner clients, on July 18, 2017, Finance released its 63-page consultation paper, *"Tax Planning Using Private Corporations"*, regarding significant proposed rule changes to address tax planning for private corporations. Our partners at Davidson and Company released a great summary of the proposed changes which you can access by [clicking here](#). Although many of the proposed changes won't take effect until 2018, it's important to be aware of them as they may require a review of your current corporate structure.

From all of us at Dekker Hewett Group, we wish you a wonderful weekend with family and friends.

Sincerely,
Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,033
Dow Jones Indus. Avg.	21,861
S&P 500	2,441

Canadian/US Dollar	\$0.7887
US/Canadian Dollar	\$1.2679
Euro / Canadian	\$1.4992

Gold	\$1296.80
Silver	\$17.11
Copper	\$2.91

Brent Crude Oil	\$52.00
WTI Crude Oil	\$48.77
Natural Gas	\$3.00



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