

# Canada Rebounds



September 17, 2015  
Whistler, BC



# Global Outlook... Soft Spots



U.S. Strongest in G-7

Canada Rebounds

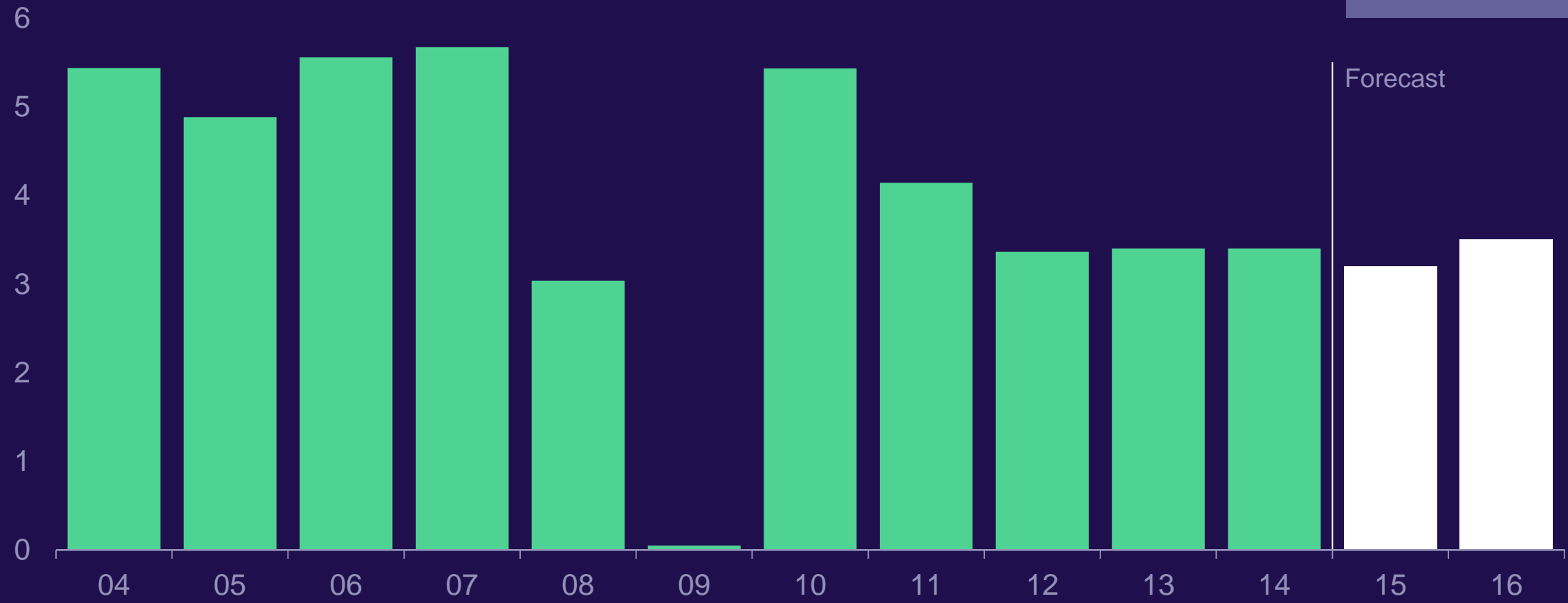
Europe Picks Up

China Slows

# Global Growth Edges Downward in 2015

Real GDP  
(year/year % change)

	2014	2015	2016
World	3.4	3.2	3.5



Forecast = BMO Capital Markets  
Source: OECD, BMO Capital Markets

# U.S. Economy Close To Full Employment



Job Creation

Consumer Confidence

Auto Sales Strong

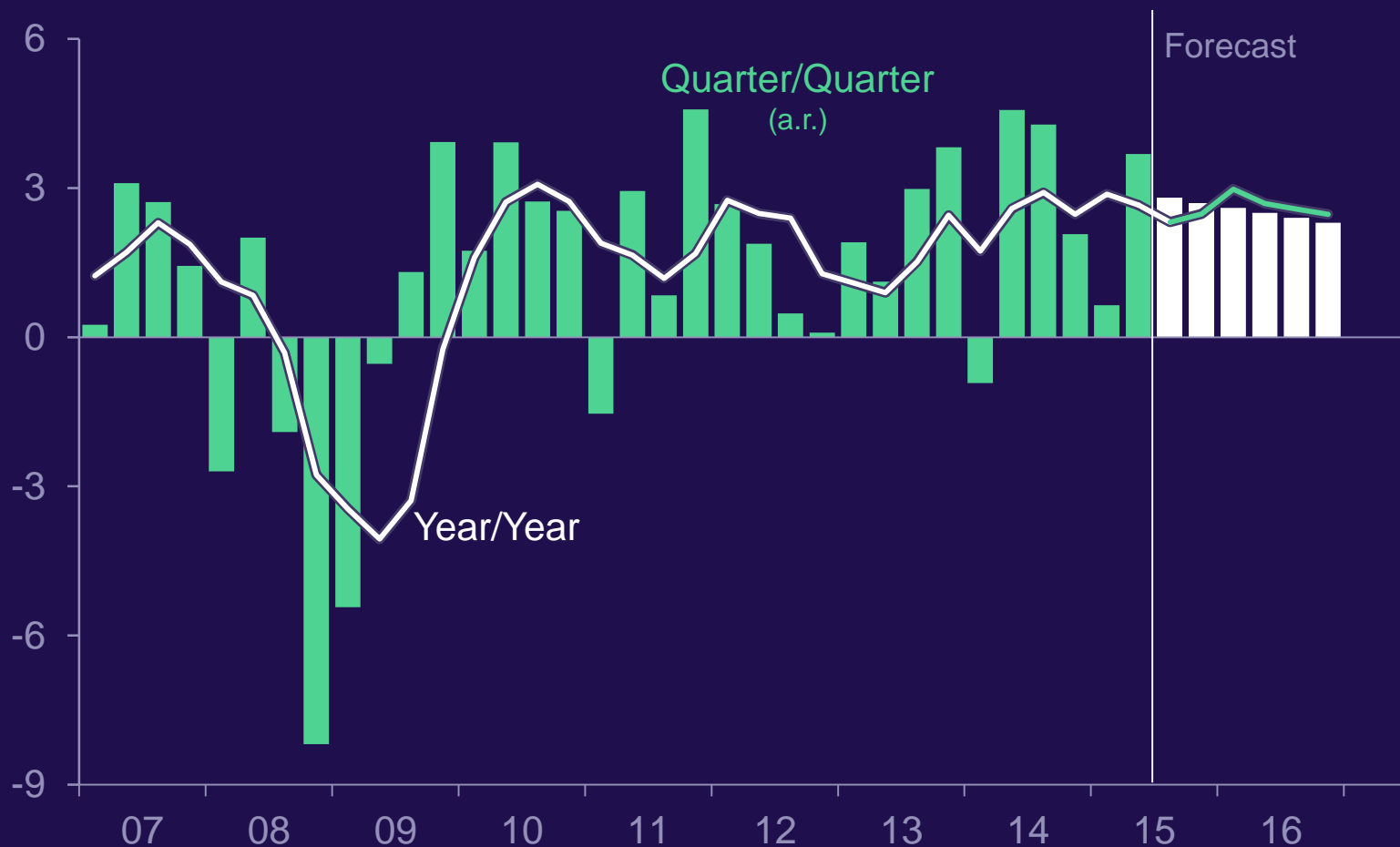
Housing Recovery

Fed Will Raise Rates

# U.S. Growth Strengthens

Real GDP  
(percent change)

2013	2014	2015	2016
2.2	2.4	2.6	2.6



Q2 Growth 3.7%

Consumers Rebound

Housing Strong

Autos Strong

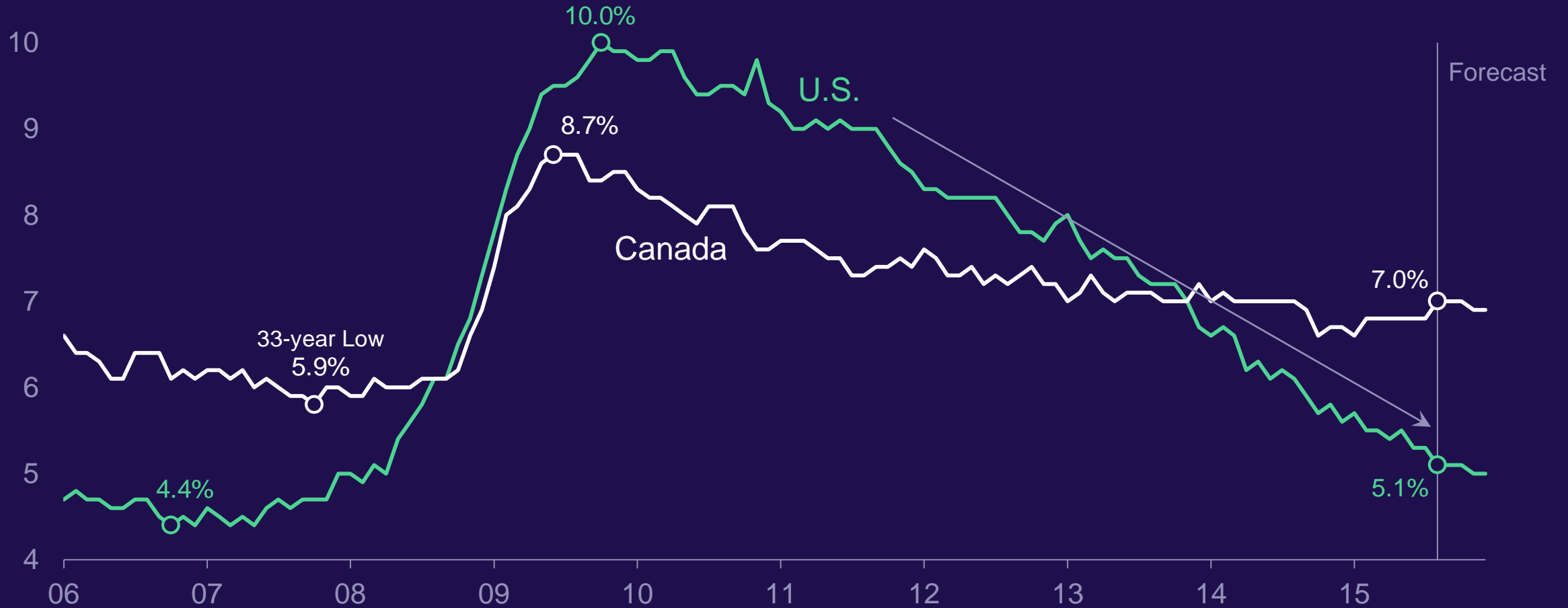
Businesses Invest

Government Rebounds

Trade Improves

# Jobless Rates Fall in U.S. and Rise in Canada

Unemployment Rate  
(percent)



# Canadian Economy Improves



June Ends Five-Month Contraction

Autos Strong

Housing Strong

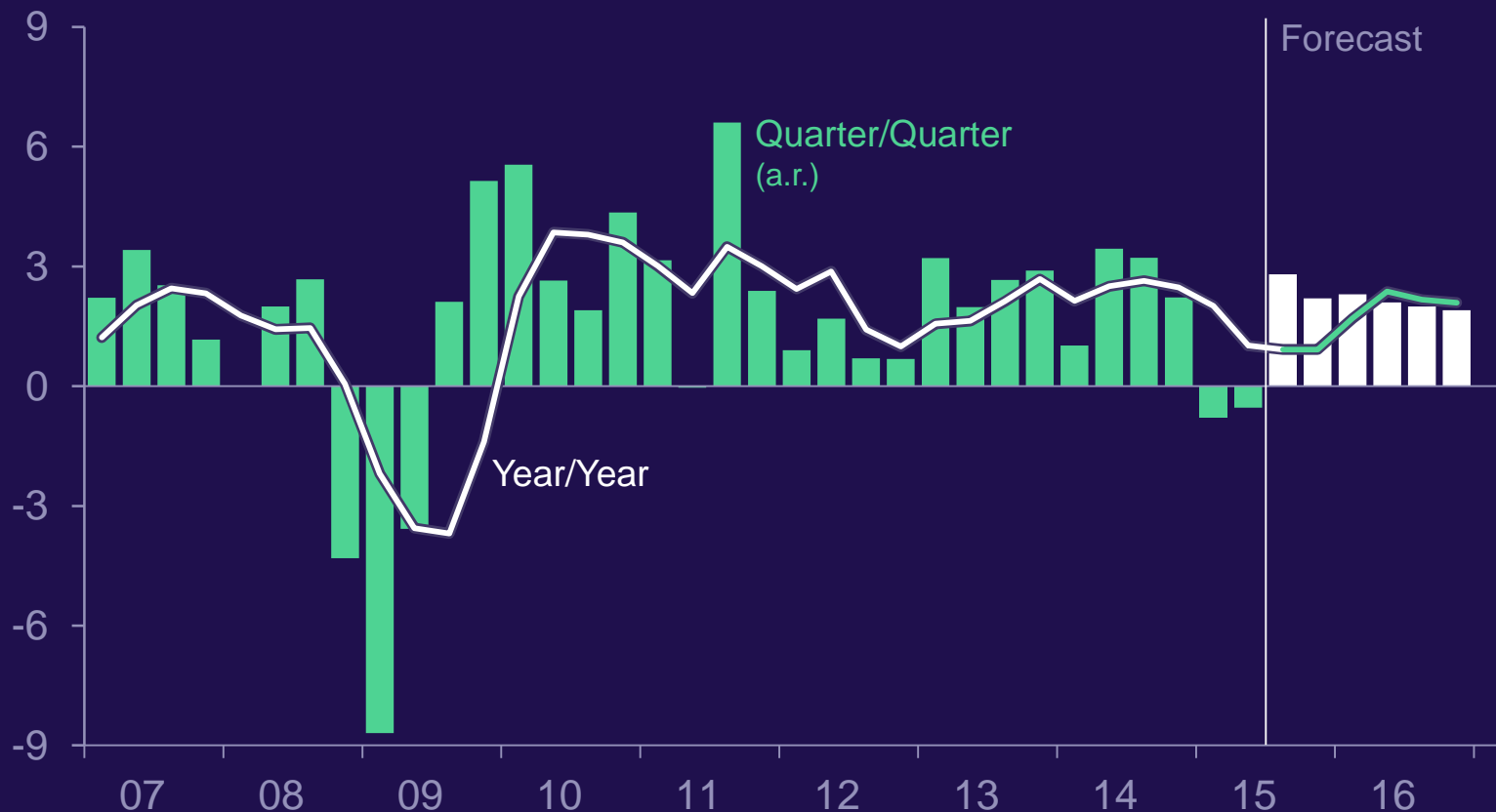
Job Growth

Exports Respond to Weak Loonie

Oil Patch Investment Plunges

# Canadian Growth Set to Rebound

Real GDP  
(percent change)



2013	2014	2015	2016
2.0	2.4	1.2	2.1

First Half Contraction  
Second Half Growth 2.4%

## Residential Construction Growth Slows in 2016

Forecast = BMO Capital Markets

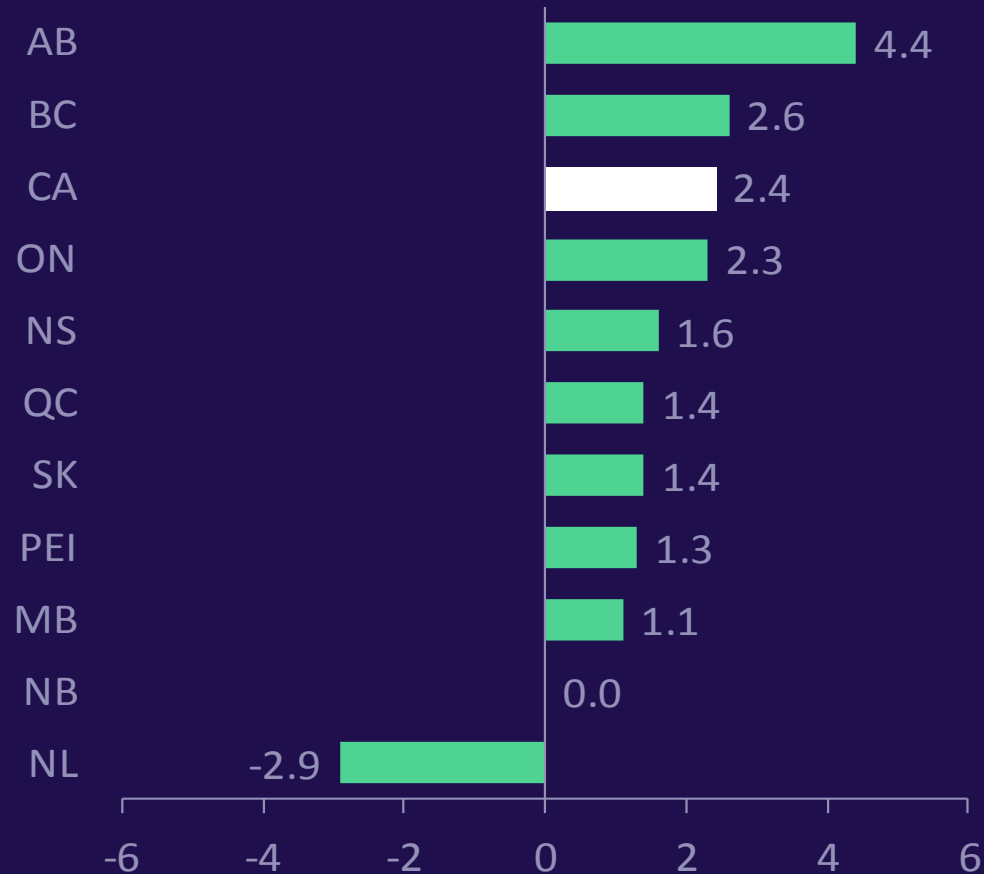
Source: Haver Analytics, Statistics Canada, BMO Capital Markets



# Changing Places – British Columbia Now On Top

Canada: Real GDP  
(year/year % change)

2014

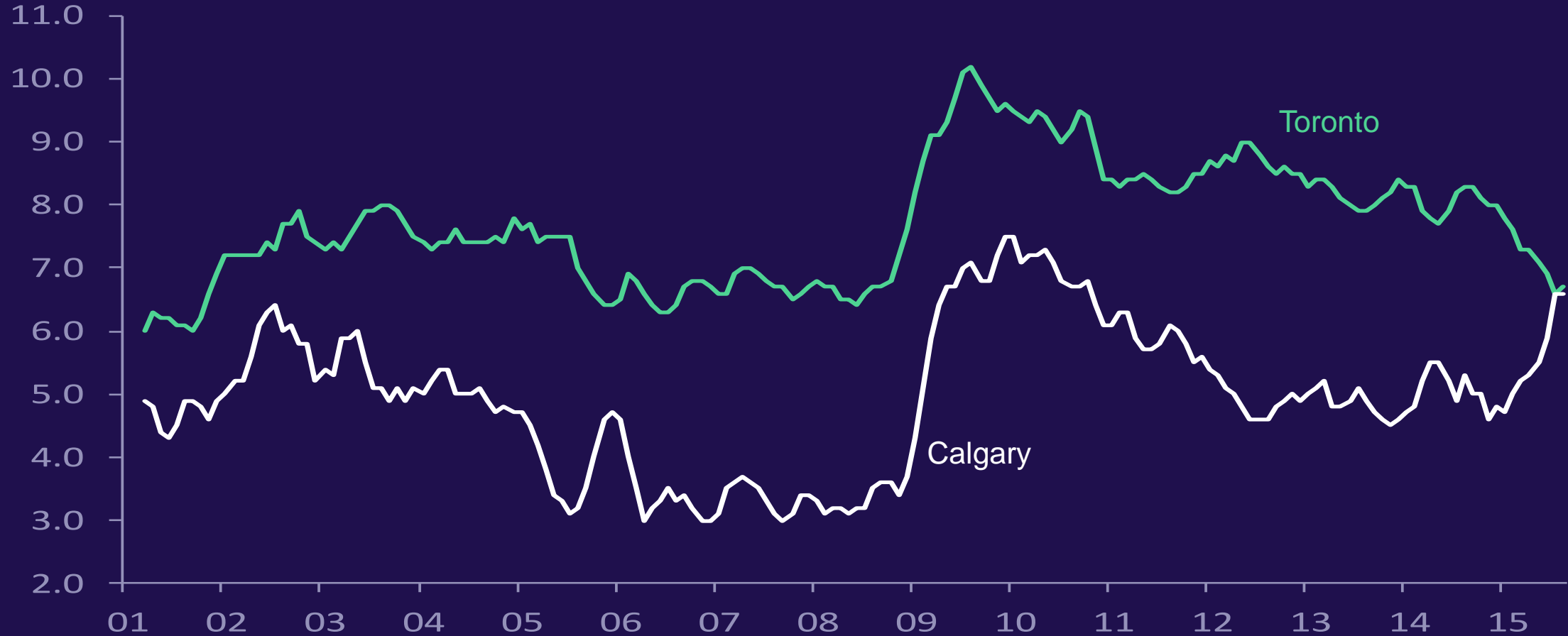


2015 (f)



# Meeting of Unemployment Rates

Unemployment Rate  
(percent)



# Loonie Weakness Hurts Consumers, Helps Exports



Oil Prices Plunge

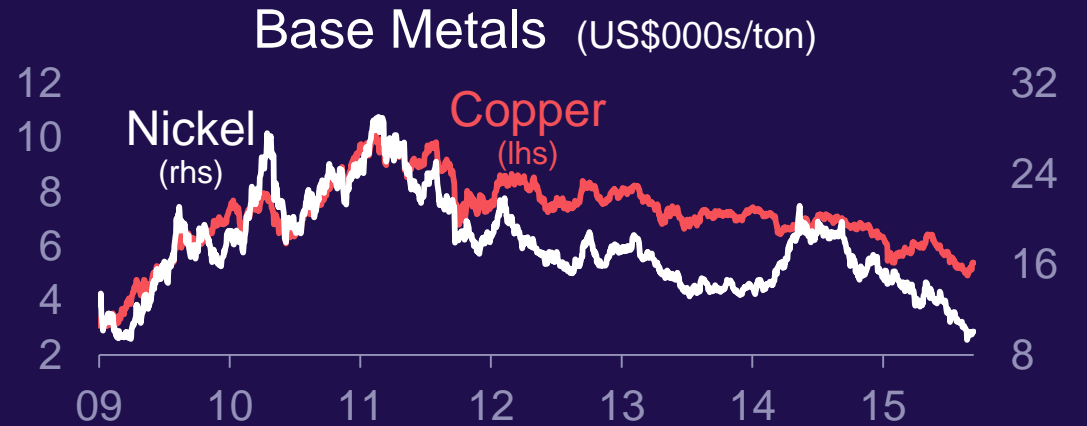
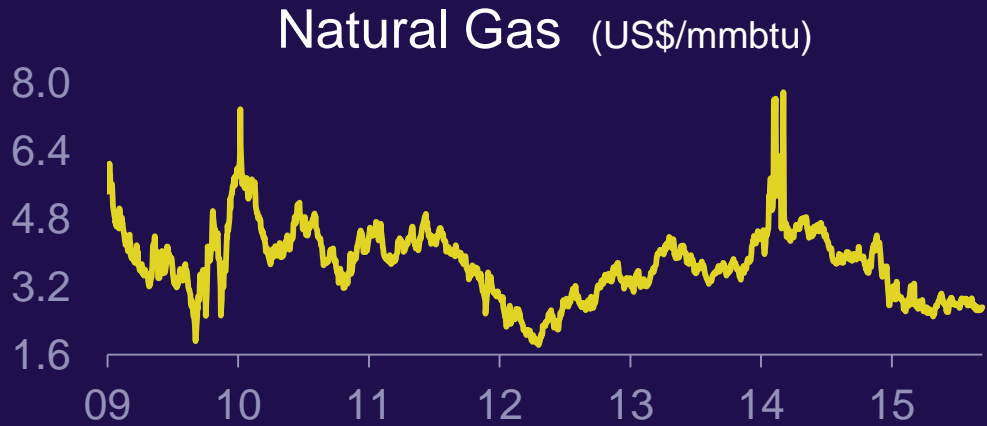
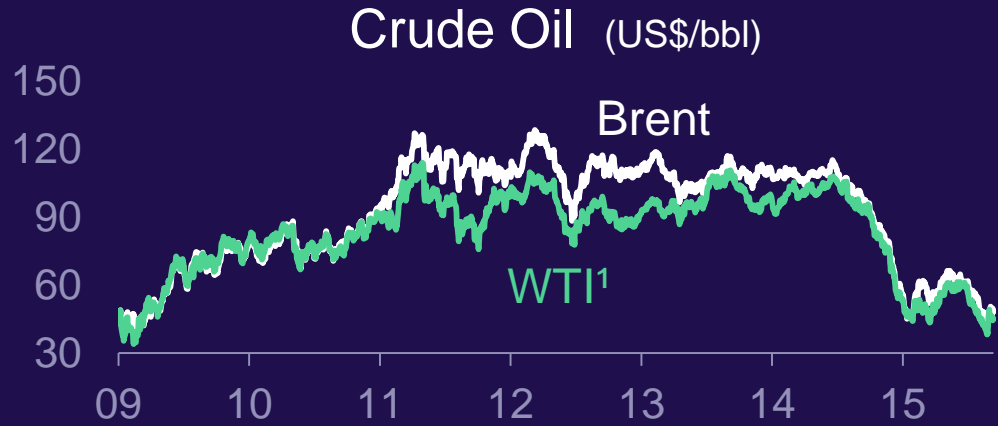
U.S. Dollar Strong

Fed Raising Rates This Year

Dovish Bank of Canada

# Commodity Markets Down, But Oil Up a Bit

(as of September 11, 2015)

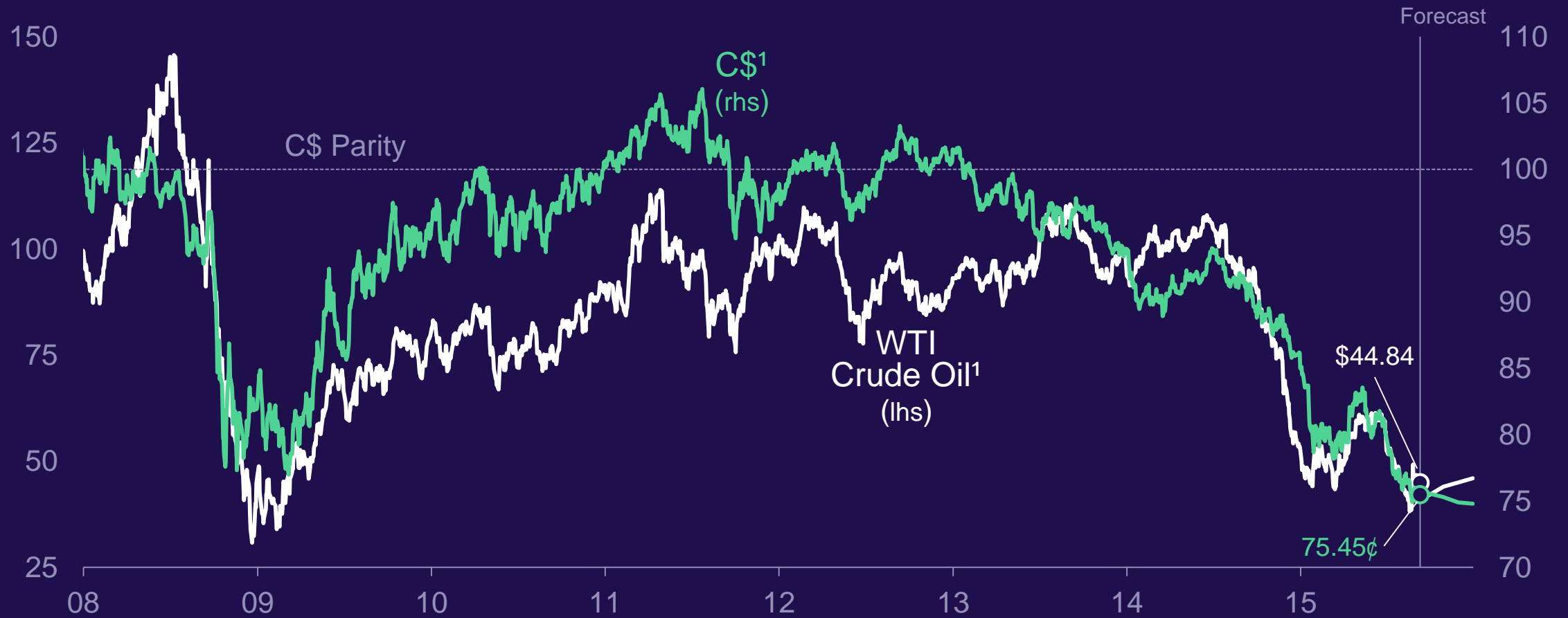


<sup>1</sup> West Texas Intermediate

Source: Bloomberg, U.S. Energy Information Administration, Haver Analytics, QuoteNet.com

# Oil Price Decline Hits The Loonie

(as of September 11, 2015)



Forecast = BMO Capital Markets    <sup>1</sup> (US\$/bbl)    <sup>2</sup> (US¢/C\$)  
Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration

# Consumers and Housing

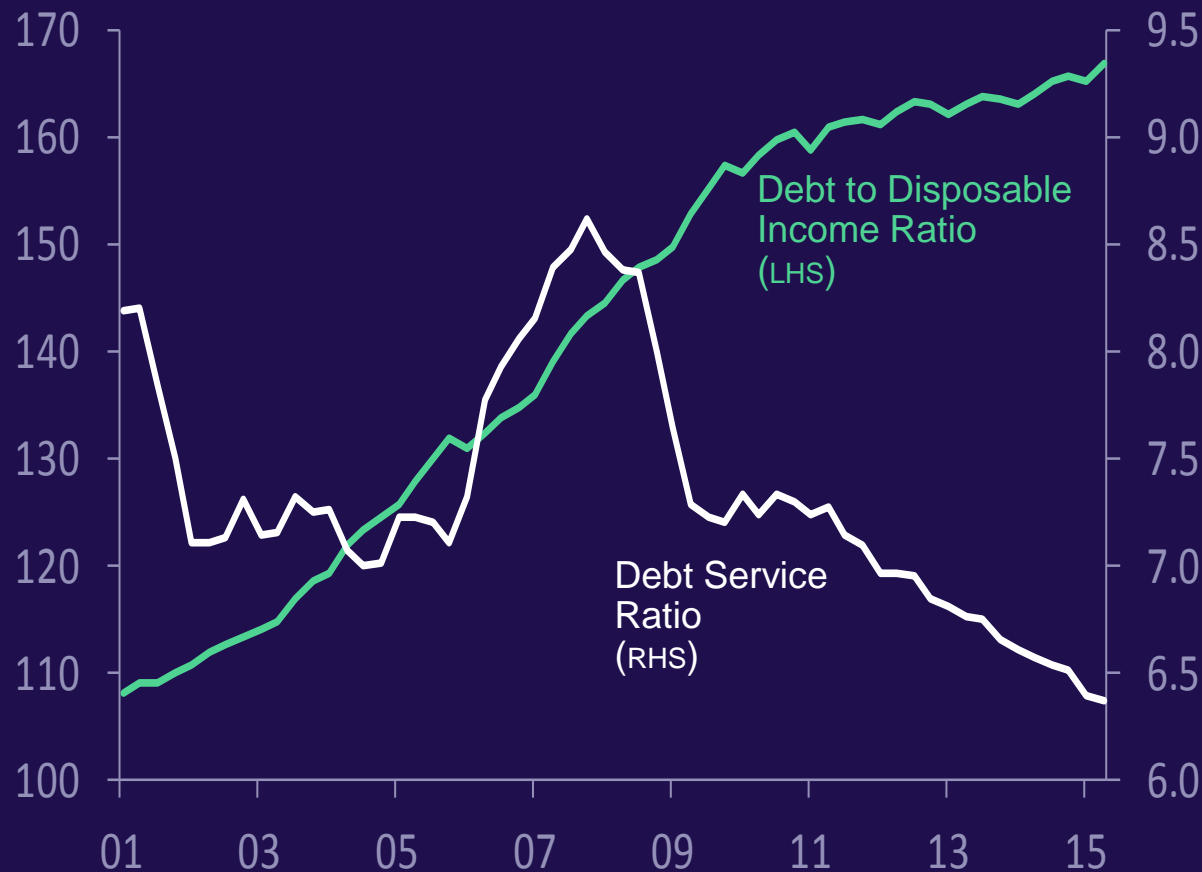


10 Million Aging Boomers  
9 Million Millennials  
Debt Loads Heavy  
But Wealth Hits Records  
Housing Strong  
Toronto  
Vancouver

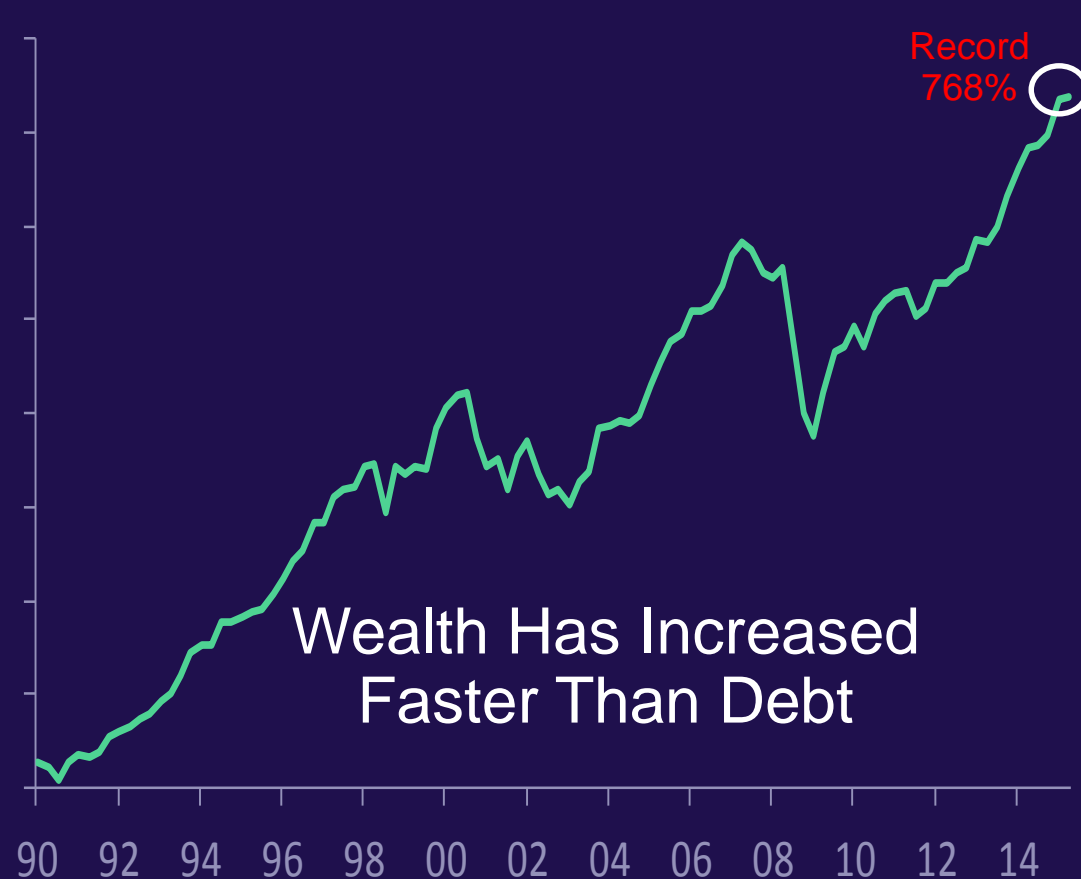
# Canadian Household Debt and Wealth Ratios At Record High

(percent)

## Household Debt and Debt Service Ratios



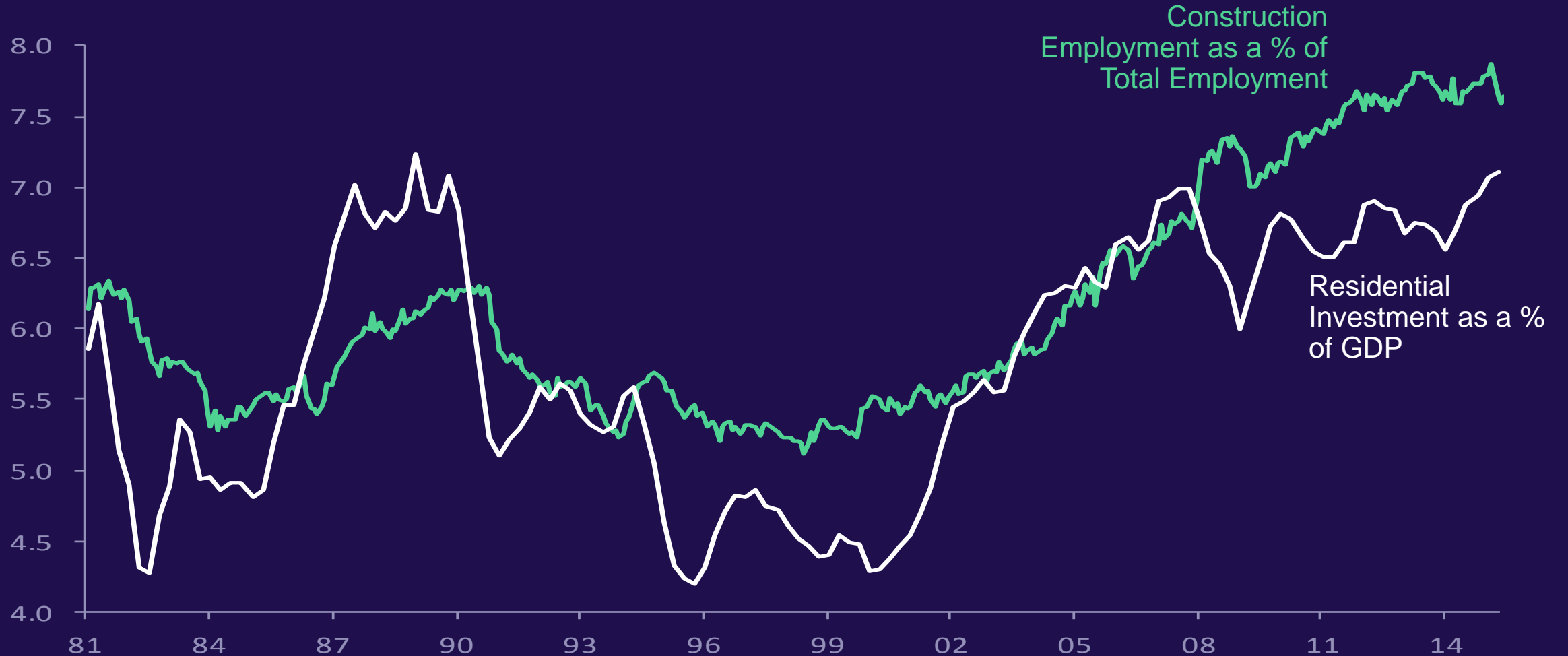
## Household Net Worth Ratio



Wealth Has Increased  
Faster Than Debt

# Housing Looms Large ...

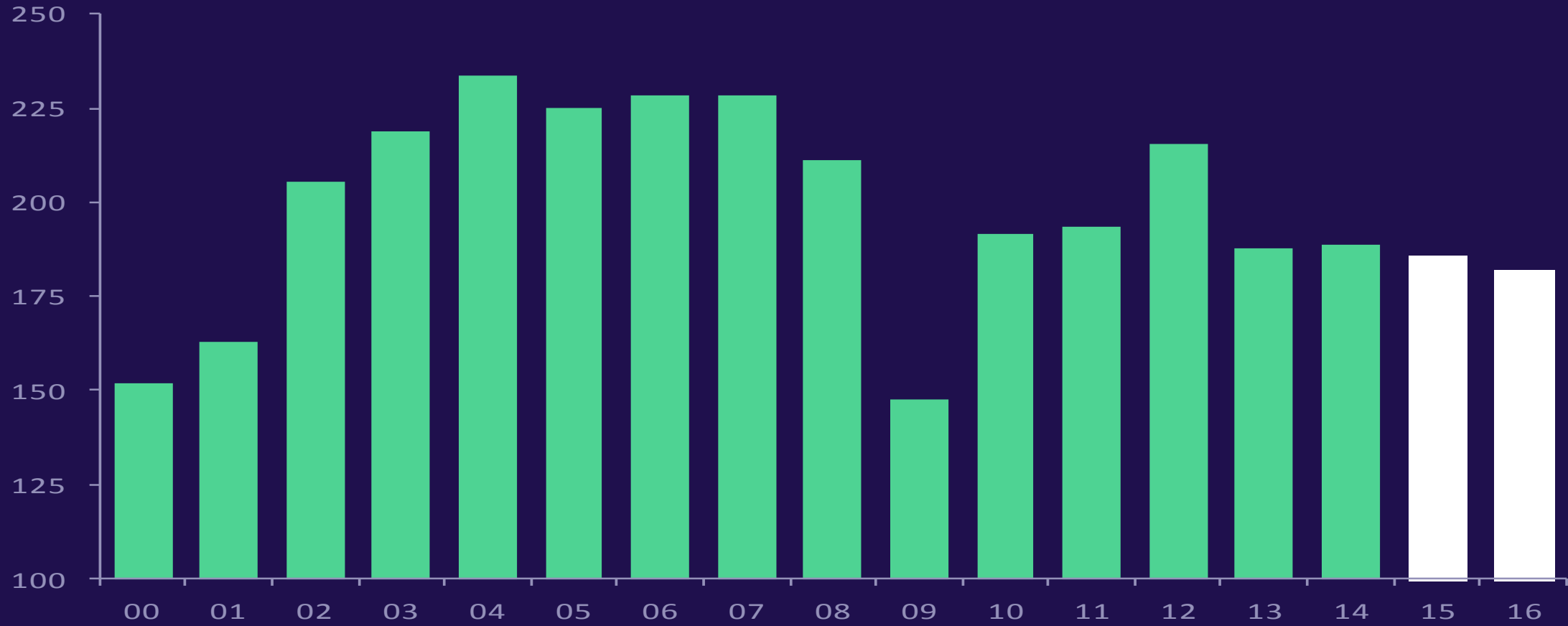
Canada  
(percent)





# ... But, Canadian Residential Construction Set To Slow A Bit in 2016

Housing Starts  
(000s units)

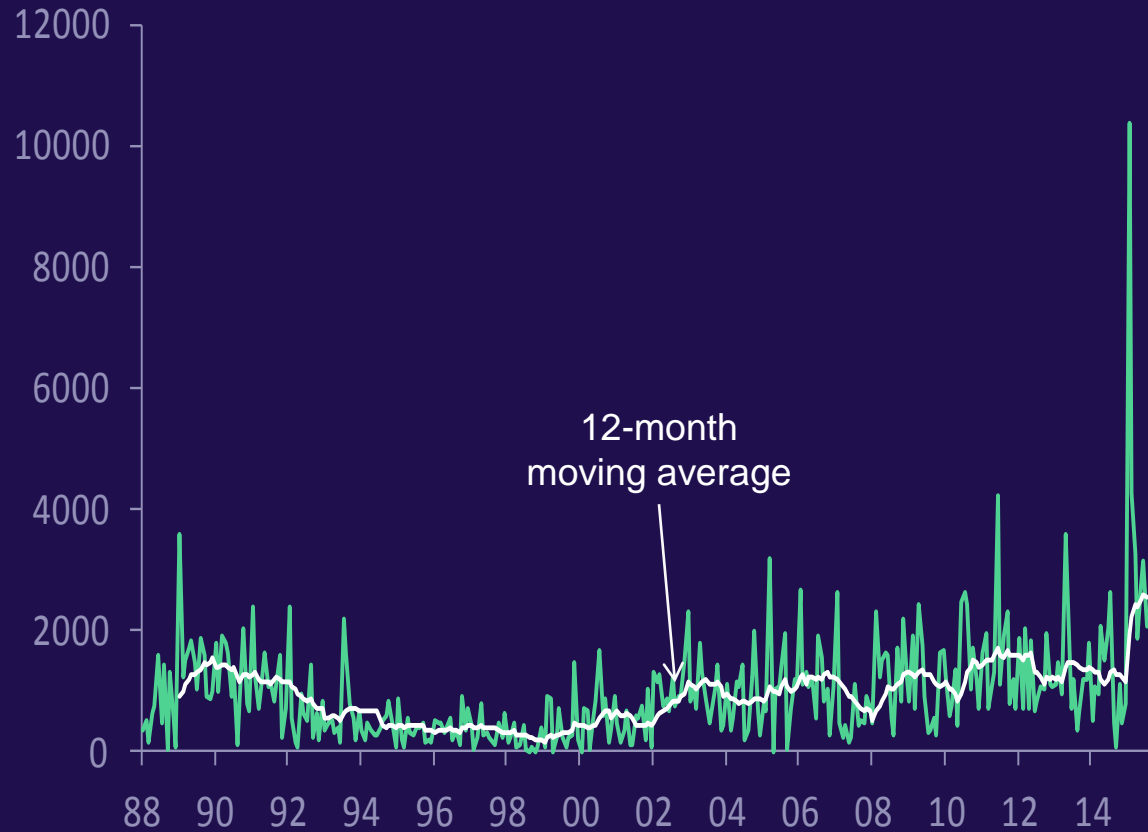


Shaded bars indicates forecast. Forecast provided by RBC Economics  
Source: Canadian Real Estate Association, Haver Analytics

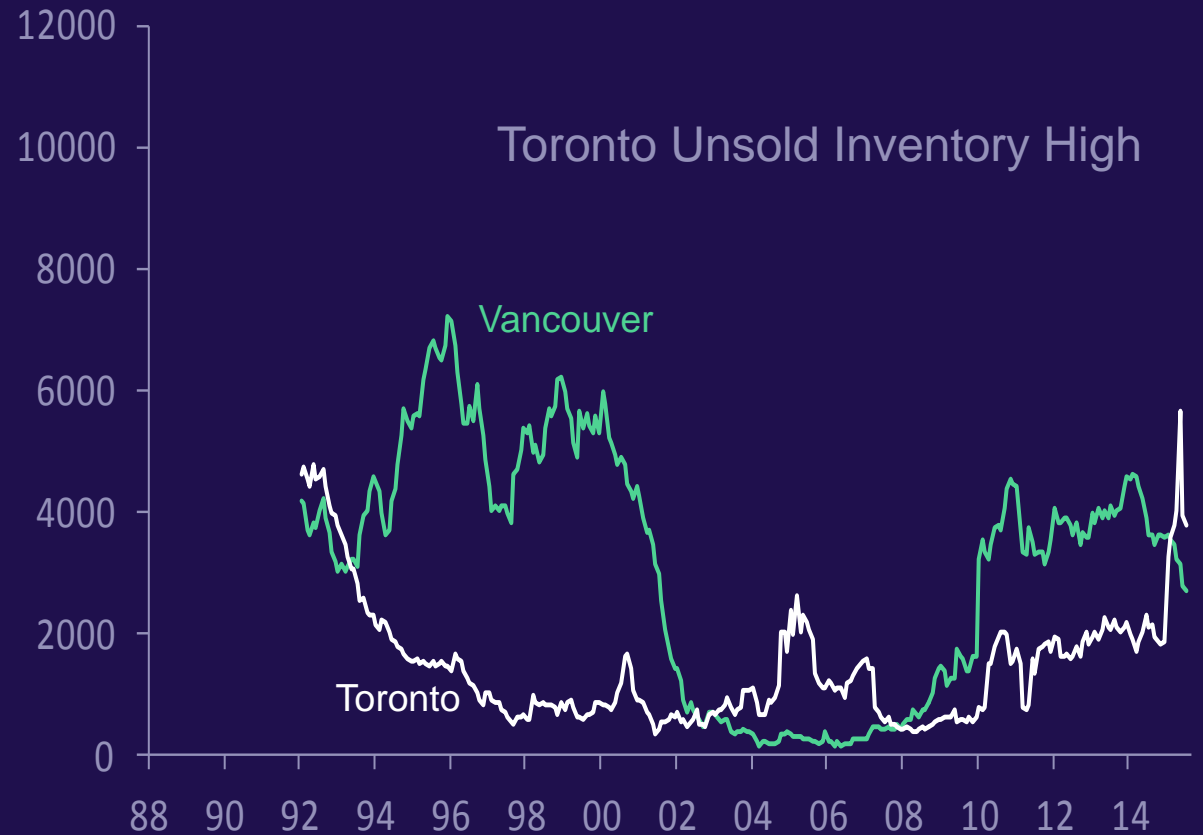
# Surge In Housing Completions In Toronto

(number of units, not seasonally adjusted)

### New Condo Completions: Toronto

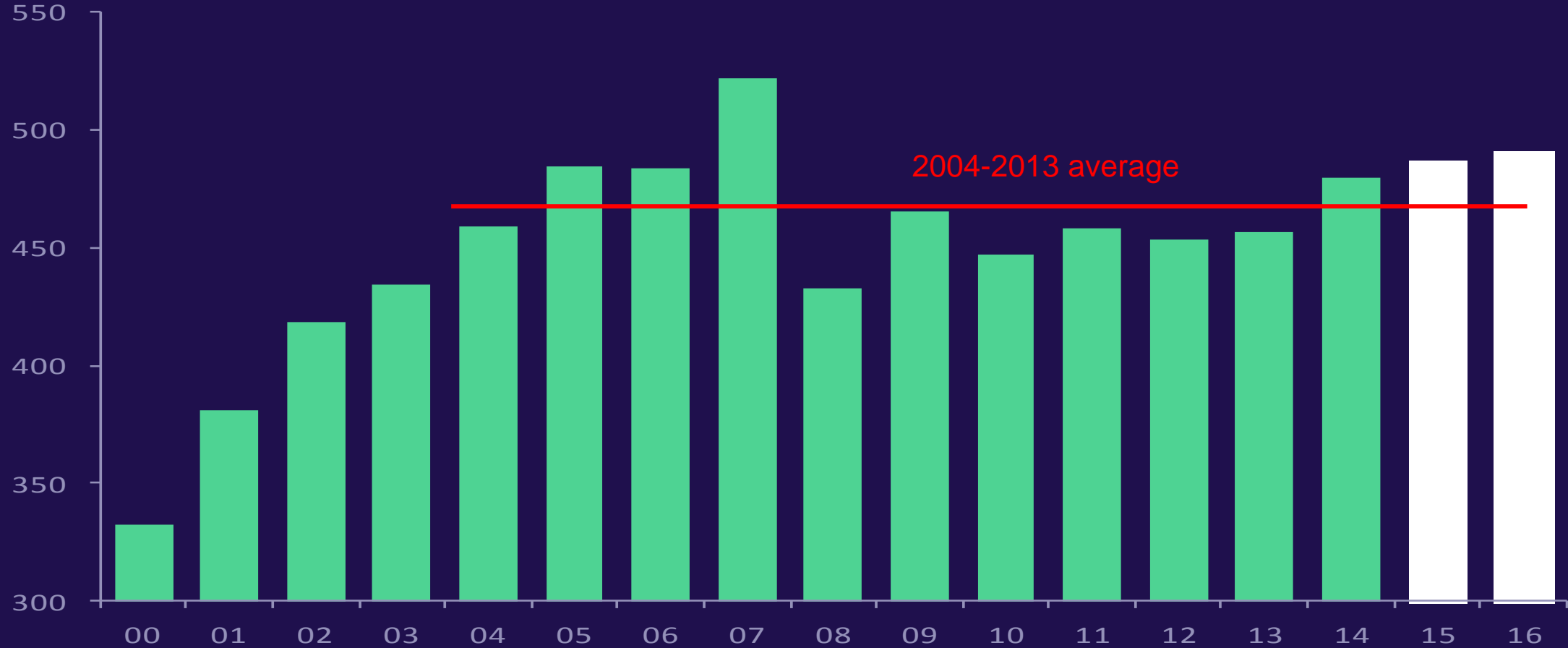


### Completed and Unabsorbed Condo Units



# Canadian Existing Home Sales Remain Strong

Existing Home Sales  
(000s units)

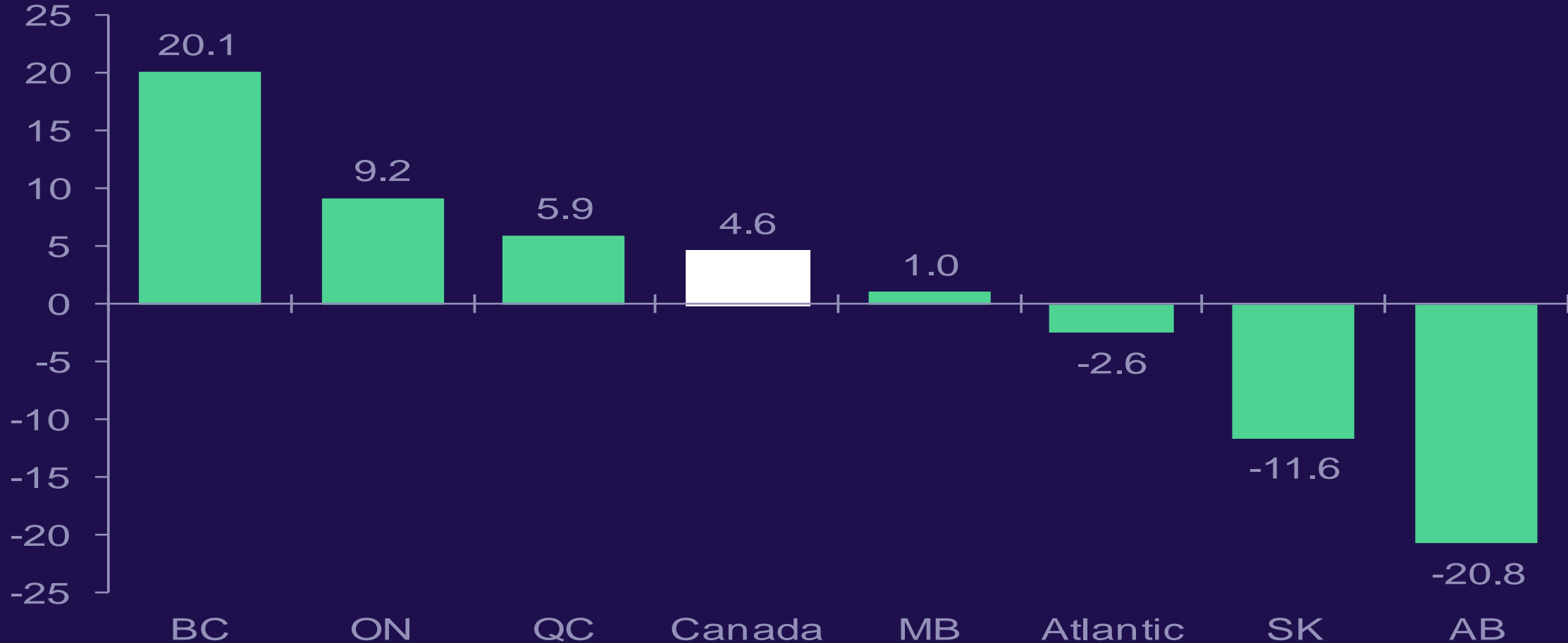


Shaded bars indicate forecast. Forecast provided by the Canadian Real Estate Association  
Source: Canadian Real Estate Association, Haver Analytics

# But Not Everywhere... Existing Home Sales By Province

Existing Home Sales

(% change from a year ago, YTD August 2015)



# Sales to New Listings—Sellers' Market In Vancouver and Toronto

Home Sales-to-New Listings Ratio  
(seasonally adjusted)

Canada



Vancouver

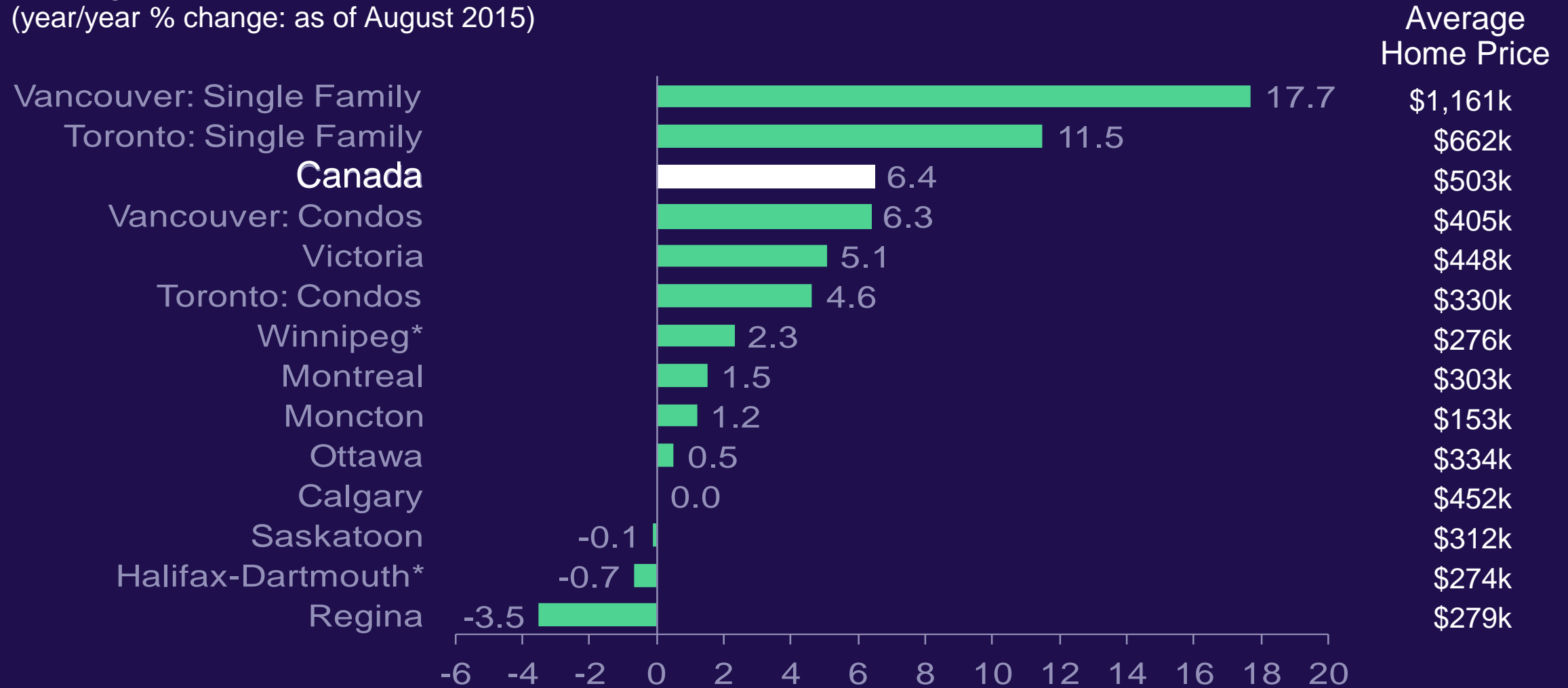


Toronto



# Single Family Prices Surge In Vancouver and Toronto

Existing Home Prices, MLS® Home Price Index (HPI)  
(year/year % change: as of August 2015)



\*Using average home prices

Source: Canadian Real Estate Association (CREA)

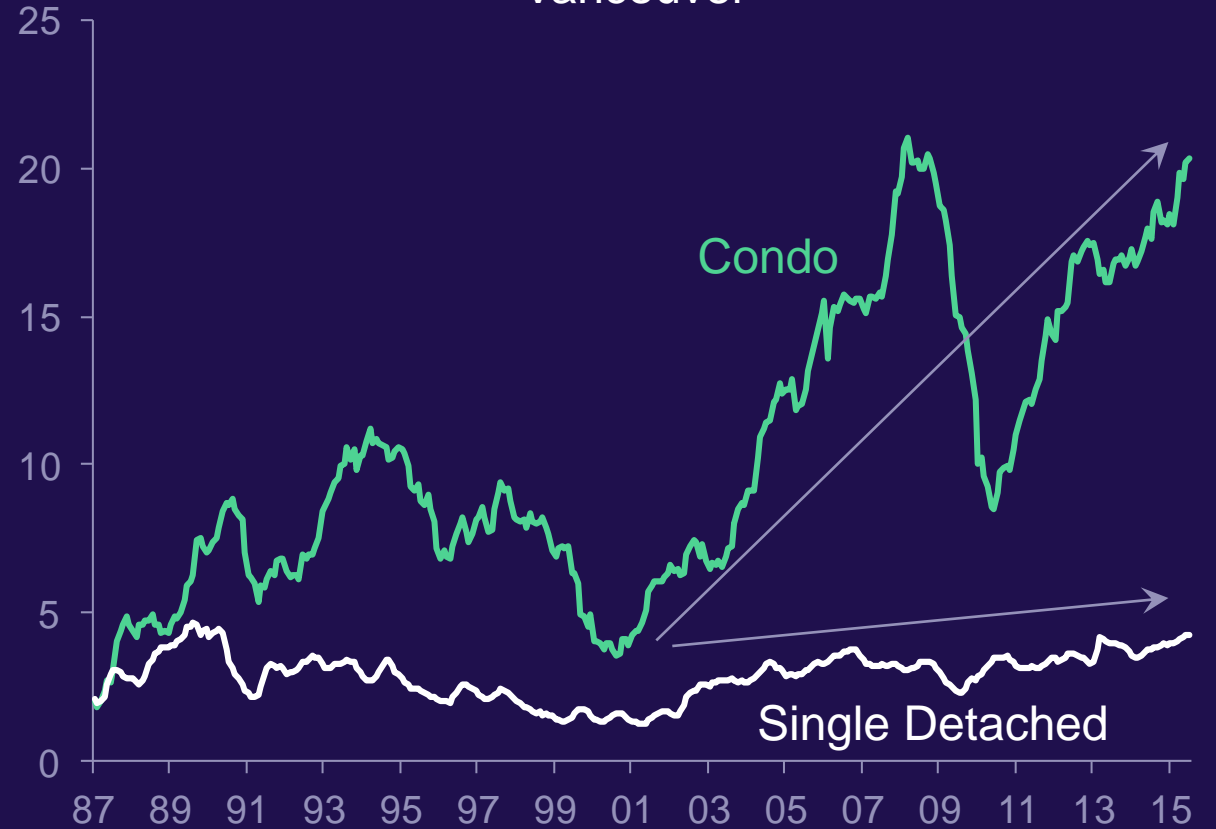
# Scarce Land ... Build Condos

**Dwellings Under Construction**  
(000s of units)

Toronto



Vancouver



# Canadian Home Price Inflation Will Slow

House Price Index: Composite 11  
(year/year % change)



White bars indicate forecasts. Forecast provided by Royal LePage and RBC Research  
Source: Teranet/National Bank, Haver Analytics



# Financial Markets



Mortgage Rates Hit Bottom

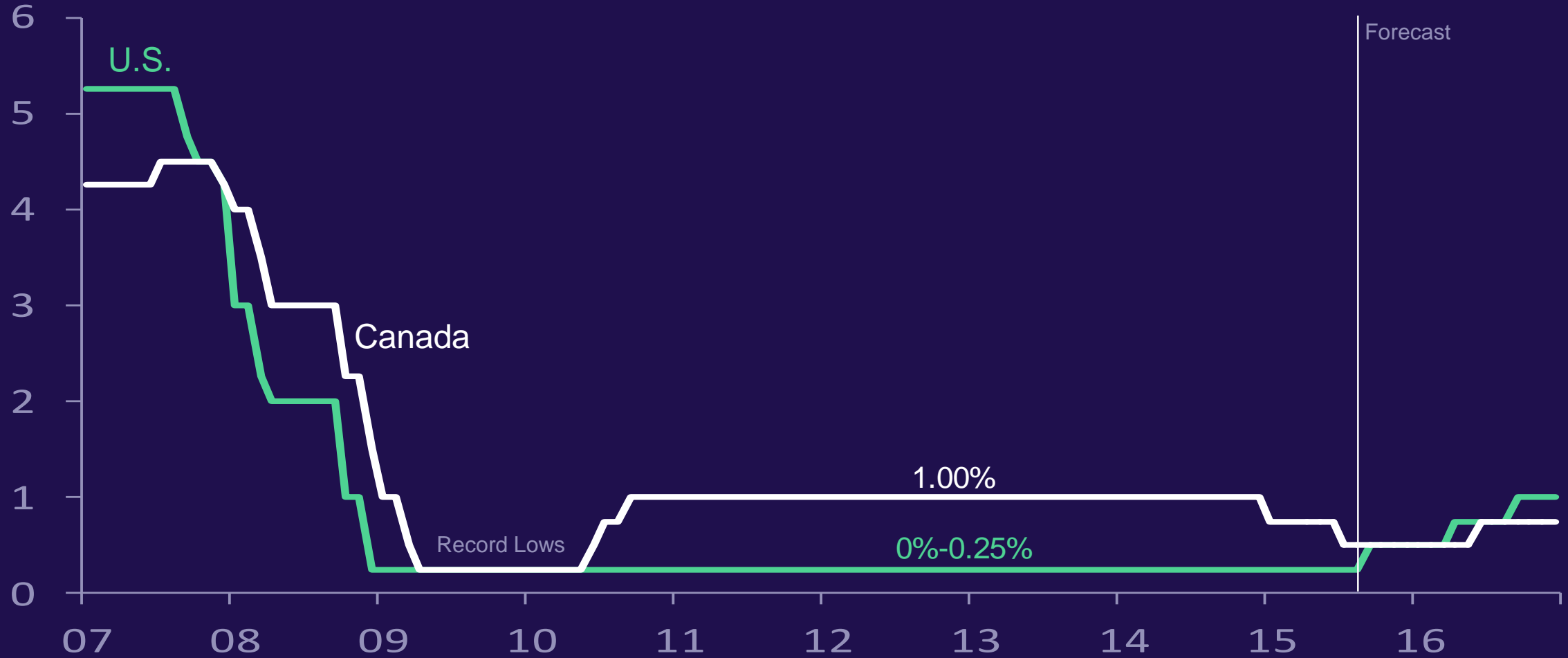
Bank of Canada On Hold

Fed Rate Hike

Stocks Volatile

# BoC On Hold... Fed Rate Hike

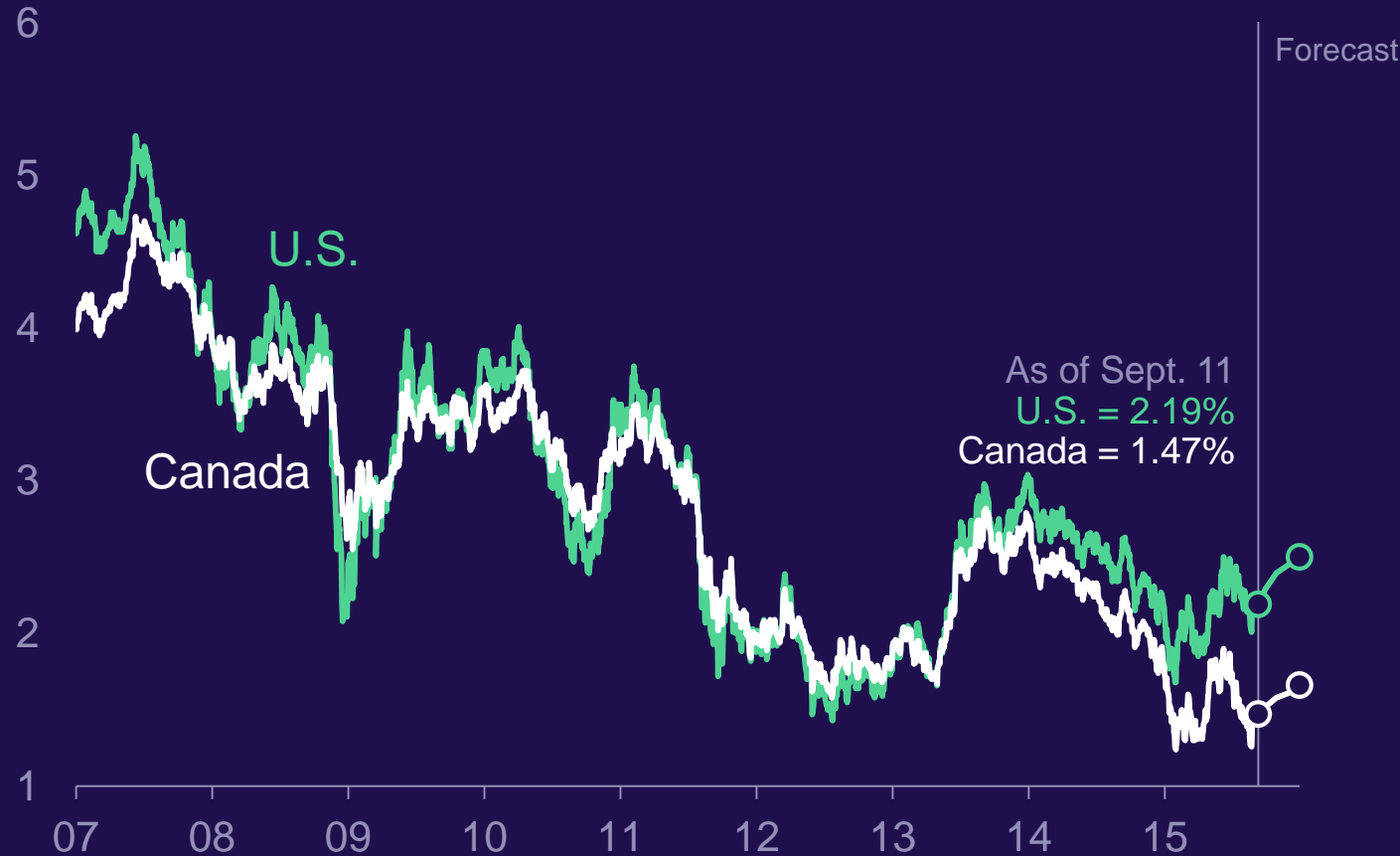
## Overnight Rate



Forecast = Sherry Cooper Assoc.  
Source: Haver Analytics, Bank of Canada, Federal Reserve Board

# Long Yields Edge Upward On Fed Prospects

10-year Bond Yields  
(as of September 11, 2015)



Fed Normalization, But Oil  
Prices Below \$50

Inflation Still Low

Rates Don't Rise Much

# Stocks Hit By Oil Slide

Financial Market Returns – Local Currency  
(% change : as of September 11, 2015)



	YTD	2014	2013
<b>Stocks</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
DJIA	-7.8	8	26
Nasdaq	1.8	13	38
S&P 500	-4.8	11	30
<b>TSX</b>	<b>-8.0</b>	<b>7</b>	<b>10</b>
<b>Bonds*</b>			
GoCs	3.9	9	-3
U.S. Treasuries	0.9	8	-5
<b>Commodities</b>			
CRB Index	-14.2	-18	-5
Gold	-8.0	0	-27
Oil (Brent Crude)	-13.8	-49	-1
<b>Dividend Yield (%)</b>			
TSX	3.0	2.9	3.2
S&P 500	2.1	1.9	2.3

\*As of August 31

Sherry  
Cooper  
Assoc.

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