Weekly Updates Issue # 546

1. Markets Changes
2. Canada adds 22,800 jobs in December
3. U.S. economy grows by 292,000 jobs in December
4. Let negative forces behind low dollar, oil prices play out: Poloz
5. Chinese stock market halted for second time this week
6. Sanders says he'd break up America's biggest financial firms
7. 2015 a record year for Toronto-area housing sales
8. Canada's trade gap narrows
9. Natural gas storage reaches five-year high
10. RBC to hike some mortgage rates starting Friday
11. BoC may cut rates again by mid-year: experts
12. Canadian manufacturing weak in December

1. Markets Changes *(since the last issue of my Weekly Updates newsletter dated December 18, 2015)*

[January 8, 2016]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
12,445.45 -578.9 -4.44%	1,922.03 -83.52 -4.16%	16,346.45 -782.1 -4.57%	4,643.63 -279.45 -5.68%	$0.7057 -1.07¢ -1.49%	$1,104.10 +38.50 +3.61%	$32.88 -1.67 -4.83%

2. Canada adds 22,800 jobs in December

[January 8, 2016] The Canadian labour force received a boost of 22,800 net jobs last month, thanks to a big gain in part-time work, Statistics Canada said Friday.

The federal agency's latest jobs survey found that positions in the more-desirable category of full-time employment actually fell in December by 6,400. The economy added 29,200 part-time jobs last month.

A closer look at the jobs data also showed that self-employed positions rose last month by 40,300.

The national unemployment rate for December remained unchanged at 7.1%.

"Don't pull the curtain back to look behind the strong Canadian employment gain in December, because the picture doesn't look nearly as pretty when you do," said Avery Shenfeld of CIBC Economics in a note to clients.

"All told, a nice headline masking a continuing trend for weak hiring by private sector companies in Canada."

A consensus of economists had projected the economy would add 10,000 positions last month and for the jobless rate to stay at 7.1%, according to Thomson Reuters.
By region, the report said Ontario's unemployment rate dropped to 6.7% from 6.9% as it added 34,900 net positions in December, including increases of 26,600 jobs in the services sector and 8,200 in goods production. Of the new jobs created last month in Ontario, 42,200 of them were full-time work.
The December increase follows a drop of 35,700 jobs in November, a decline largely caused by the previous month's rise in temporary work likely generated by the federal election.
The report released Friday also contained a year-end review that said national employment rose by 0.9% in 2015 as the labour force bulked up by 158,000 net jobs.
The 2015 employment growth rate was slightly stronger than in 2014 and 2013, when the overall number of jobs expanded by just 0.7 per cent in each of those years.
Employment in British Columbia grew by 2.3% last year — the highest rate of any province — as it added 52,000 jobs.
Resource-rich Newfoundland and Labrador was the only province that experienced a decline in employment last year. Its employment rate decreased 1.8% as it shed 4,300 jobs. For 2015, the provincial unemployment rate rose 2.6 percentage points to 14.4%.
The year-end data says employment fell by 6.8 per cent in the battered natural resources industry following the sharp slide in commodity prices.
The manufacturing sector, which was expected to benefit from the lower dollar, increased by 2.1 per cent in 2015.
Statistics Canada also released fresh figures Friday on building permits.
The agency said municipalities issued $6.2 billion worth of building permits in November, down 19.6 per cent from October.
The value of residential building permits totalled $4 billion in November, a decline of 17.8 per cent from the previous month. Meanwhile, permits for non-residential buildings in November was $2.2 billion, which was 22.7 per cent lower than October.

3. U.S. economy grows by 292,000 jobs in December

[January 8, 2016] American employers added a robust 292,000 jobs in December, suggesting that the U.S. economy is so far defying global weakness and growing solidly.

The strong figures underscore the resilience of the U.S. economy at a time of financial turmoil stemming from China's slowing economy and plummeting stock market. Most economists expect U.S. consumer spending to continue to offset any drag from overseas weakness, though many foresee only modest U.S. growth.

In its monthly jobs report Friday, the Labor Department said the unemployment rate remained 5% in December for a third straight month. More Americans started looking for work and succeeded in finding jobs.

The government also said employers added a combined 50,000 more jobs in October and November than it had previously estimated. For the July-September quarter, hiring averaged 284,000 a month — the best three-month pace in a year.

The healthy job growth provided assurance that the economy remains stable despite struggling major countries around the world and falling stock markets. U.S. stock futures, which had been up sharply before the jobs report was released, rose further afterward.

"The economy is reflected most strongly in the jobs numbers — and it's doing OK, maybe better than OK," said David Berson, chief economist at Nationwide Insurance.

For all of 2015, employers added 2.65 million jobs, a monthly average of 221,000. That made 2015 the second-best year for hiring since 1999, after 2014′s gain of 3.2 million jobs.

Even as demand for workers grew, average hourly pay actually slipped a penny in December to $25.24 an hour. Still, average wages have risen 2.5 per cent in the past year, only the second time since the Great Recession ended in mid-2009 that it has reached that level. At the same time, pay growth remains below the roughly 3.5 per cent pace typical of a healthy economy.

Last month, the percentage of adults with jobs rose for a second straight month, though it remains below pre-recession levels. And many of the new jobs were in higher-paying industries: Construction added 45,000, health care nearly 53,000. Professional and business services, which includes accountants, engineers, and architects as well as lower-paid temporary workers, added 73,000 positions.

For months, U.S. employers have hired steadily even as global growth has flagged and financial markets have sunk. Stronger customer demand has given most businesses confidence to hire even though some sectors — notably manufacturing and oil and gas drilling — are struggling.

Still, stumbling growth in countries like China, the world's second-largest economy, and financial market turmoil might pose long-term challenges for

the U.S. economy. A strong dollar and faltering global growth have already cut into exports of factory goods.
The dollar has climbed about 10% in value in the past year compared with overseas currencies. That has made U.S. goods more expensive globally while lowering the price of imported products.
In November, exports fell to their lowest level in nearly four years and shaved about 0.6 percentage point from the economy's growth in 2015, according to Goldman Sachs. Most analysts estimate that the economy expanded at a modest pace 2.5% last year.
Another blow to manufacturing has been oil prices, which fell to their lowest level in 12 years Thursday. Oil and gas drillers have responded by slashing payrolls and sharply cutting spending on steel pipes and other drilling equipment.
Manufacturing added 30,000 jobs last year, a marked decline from 2014. Yet it makes up just 10% of the U.S. economy and oil and gas drilling even less.
For now, Americans are confident enough to buy more homes. Sales of newly built homes jumped nearly 15% in 2015 and helped spur building and construction hiring: Construction companies added 215,000 jobs last year, a 3.4% gain.
In another sign of consumer health, auto sales rose to a record high last year as cheap gas and low interest rates led to booming sales of SUVs and pickup trucks.

4. Let negative forces behind low dollar, oil prices play out: Poloz

[January 7, 2016] The Bank of Canada says overcoming the economic suffering inflicted by the commodity-price shock essentially boils down to one main option: ride it out.
In a speech Thursday, central bank governor Stephen Poloz said no simple policy response will fix the problem, although some measures can buffer the negative effects of factors such as the steep slide in oil prices.
"The forces that have been set in motion simply must work themselves out," Poloz said in a prepared text of a speech at Ottawa City Hall.
"The economy's adjustment process can be difficult and painful for individuals, and there are policies that can help buffer those effects, but the adjustments must eventually happen."
Under Poloz's leadership, the central bank lowered its trend-setting interest rate twice in the last 12 months to help cushion the blow of the oil slump.

He noted that Canada's the dollar has tumbled along to roughly the same levels they stood at over a decade ago.
"It is not a coincidence that the Canadian dollar is about where it was back in 2003 and 2004 — oil prices are also about where they were back then," said Poloz, who also listed some of the benefits of a lower loonie.
At the time of the speech, the loonie was trading below 71 cents US, about where it was in mid-2003 as the currency when it was recovering from a historic low of 61.79 cents US set in January 2002.
A benchmark oil price ducked under US$34 a barrel on Wednesday, the lowest level since 2008, but was even lower on Thursday. Poloz noted that oil prices were around US$25 per barrel in 2002.
Almost like it was 2002 all over again, Poloz said the complex economic changes have led to higher consumer spending, falling employment and lower investment in the resources sector. Non-resources sectors, meanwhile, have seen rising employment and investment, Poloz added.

5. Chinese stock market halted for second time this week

[January 7, 2016] China halted stock trading Thursday, its second daylong trading suspension this week, after prices plunged in the latest spasm of investor panic on its volatile markets.
Chinese markets have lurched up and down as regulators gradually withdraw emergency measures imposed after the main stock index plunged in June following an explosive rise.
A similar price plunge Monday triggered a sell-off on Wall Street and other global markets.
On Thursday, trading was suspended after a market index, the CSI 300, nose-dived 7% a half-hour after markets opened, triggering a "circuit breaker" that was introduced Jan. 1.
Financial analysts have warned Chinese markets are likely to see extreme volatility for a few more months as they seek a stable level following last year's rout.
The "circuit breaker" requires a 15-minute pause in trading if the CSI 300 falls 5% within 30 minutes. Trading halted only 13 minutes into the morning session Thursday. Stocks plunged further after trading resumed 15 minutes later, triggering the daylong trading freeze.
The benchmark Shanghai Composite Index fell 7.3% to 3,115.89. The Shenzhen Composite Index for China's smaller second exchange slumped 8.3% to 1,955.88.

Also Thursday, a six-month ban on sales by shareholders who own more than 5% of a company was due to expire. Regulators announced this week that to avoid fueling further volatility, such sales will be limited to private transactions.
The Shanghai benchmark more than doubled between late 2014 and its June 12 peak as millions of novice investors bought shares.
Prices plunged 30% after that, triggering a panicked response by Beijing. Regulators banned large sales, cut interest rates, cancelled initial public stock offerings and ordered state companies to buy shares.
Chinese leaders had encouraged the public to buy in hopes of raising money to overhaul state industry. The market rout alienated small investors who were left holding shares worth less than they paid.
Authorities say shares bought by state companies will be transferred to China's sovereign wealth fund to avoid depressing prices by selling them in the open market. The ban on new IPOs was lifted in November.

6. Sanders says he'd break up America's biggest financial firms

[January 6, 2016] Characterizing Wall Street as an industry run on "greed, fraud, dishonesty and arrogance," Democratic presidential candidate Bernie Sanders pledged to break up the country's biggest financial firms within a year and limit banking fees placed on consumers, should he become president, in a fiery speech on Tuesday.
He coupled that promise, delivered in front of a raucous crowd just a few subway stops from Wall Street, with a series of attacks on rival Hillary Clinton, arguing her personal and political ties make her unable to truly take on the financial industry.
"To those on Wall Street who may be listening today, let me be very clear: Greed is not good," said Sanders, in a reference to Oliver Stone's 1980s film, Wall Street.
"If Wall Street does not end its greed, we will end it for them," he said, as a cheering audience jumped to its feet.
Sanders has made regulating Wall Street a focus of his primary bid, with calls to curb the political influence of "millionaires and billionaires" at the core of his message. But the attacks on Clinton marked an escalation in his offensive against the Democratic front-runner. Clinton's policies, he said, would do little more than "impose a few more fees and regulations."

“My opponent says that, as a senator, she told bankers to ‘cut it out’ and end their destructive behaviour,” he said, to laughter. “But, in my view, establishment politicians are the ones who need to cut it out,” he said.
Clinton responded at a campaign event in Iowa, on Tuesday evening, saying her policies would take on a wide range of financial actors, including insurance companies and investment houses that helped spark the 2008 recession.
“I have a broader, more comprehensive set of policies about everything including taking on Wall Street,” she said. “I want to go after everybody who poses a risk to our financial system.”
Clinton and her husband, former President Bill Clinton, have made tens of millions in speaking fees from addresses to Wall Street banks, insurance companies and other financial firms — a fact Sanders alluded to in his speech, saying the banks give “very generous speaking fees to those who go before them.”
She also opposes reinstating the Depression-era Glass-Steagall Act, which effectively limited the size of financial companies by prohibiting commercial banks from engaging in investment banking activities. Sanders would re-establish the law, initially repealed during the Clinton administration.
Many economists question whether that law would have prevented the crisis, given that many financial institutions that failed, including Lehman Brothers and Bear Stearns, were investment banks and their failure wouldn’t have been prevented by Glass-Steagall.
Sanders vowed to create a “too-big-to-fail” list of companies within the first 100 days of his administration whose failure would pose a grave risk to the U.S. economy without a taxpayer bailout. Those firms would be forced to reorganize within a year.
Sanders also said he wants to cap ATM fees at two dollars and cap interest rates on credit cards and consumer loans at 15 per cent. He also promised to take a tougher stance against industry abuses, noting that major financial institutions have been fined only US$204 billion since 2009. And he promised to restructure credit rating agencies and the Federal Reserve, so bankers cannot serve on the body’s board.
“The reality is that fraud is the business model on Wall Street,” he said. “It is not the exception to the rule. It is the rule.”

7. 2015 a record year for Toronto-area housing sales

[January 6, 2016] The Toronto Real Estate Board says that 2015 was a record sales year for its members.
The number of sales last year through TREB realtors totalled 101,299 — up 9.2% from 2014.
It says the Toronto area had 4,945 residential sales last month, the second-highest on record for a December.
The 2015 average selling price for homes of all sort — including condos and detached houses — was $622,217, up 9.8% from the previous year.
The Greater Toronto Area and other parts of southern Ontario have experienced stronger demand than most Canadian markets — outdone only by parts of British Columbia in the Greater Vancouver and Lower Mainland areas.
The Toronto Real Estate Board says sales in its area would have been even higher than they were if there had been more properties available and there's still pent-up demand that will carry over into this year.
"TREB will release its official 2016 outlook later in January, but suffice to say that the demand for ownership housing is expected to remain very strong in 2016," said Jason Mercer, TREB's director of market analysis.
The group says it will release an outlook for 2016 on Jan. 18.

8. Canada's trade gap narrows

[January 6, 2016] Statistics Canada says the country's trade deficit with the world narrowed to $2.0 billion in November from $2.5 billion in October.
The decrease came as imports decreased 0.7% in November, while exports increased 0.4%.
Import volumes fell 1.6% while prices increased 0.9%. Export volume gained 0.7% while prices dropped 0.4%.
Canada's trade surplus with the United States increased to $2.1 billion in November from $1.7 billion in October.
The increase came as exports to Canada's largest trading partner rose 1.3% to $32.5 billion in November, while imports edged down 0.1% to $30.4 billion.
Canada's trade deficit with countries other than the United States narrowed to $4.1 billion for November from $4.2 billion in October.

9. Natural gas storage reaches five-year high

[January 6, 2016] Oversupply of oil and gas is still a problem for markets. Also, due to the government's renewed focus on clean energy and climate change, the energy industry is expected to face a year of uncertainty.

Experts thought the oversupply of oil globally, and of natural gas in North America, would have ended by now, says Andrew Botterill, partner at Resource Evaluation & Advisory group (REA). "We've been talking about lower oil prices for the better part of the year, but with a warm winter looming, natural gas storage has reached a five-year high. [That's] going to further depress gas prices."

But there's good news: REA's Q4 forecast suggests that steering away from coal electricity generation in Alberta, as the government has promised, could have a positive impact on natural gas in the future—once new infrastructure is in place.

In the near-term, however, REA forecasts a Henry Hub 2016 gas price of US$2.40/Mcf, which matches up with futures expectations over the last month. REA also predicts an AECO forecast for 2016 of CAD$2.45/Mcf.

REA's Q4 forecast also takes a long-term view of the industry, forecasting the oil price to average below US$50 per barrel in 2016 and 2017, before starting a slow rise to US$80 per barrel by 2022. The Edmonton Light price forecast anticipates an average 2016 price of CAD$51 per barrel, but maintains that a low exchange rate is propping up Canadian oil prices.

Through 2016, says REA's forecast, demand for oil will likely drop, which is in line with the International Energy Agency's expectations.

10. RBC to hike some mortgage rates starting Friday

[January 6, 2016] Royal Bank of Canada will be raising rates on several of its mortgages starting Friday.

The bank says its special offer five-year fixed mortgage goes up one-tenth of a point to 3.04%.

It noted that the changes don't apply to its posted mortgage rates, which are typically higher than special offer rates.

Several other special offer mortgage rates from RBC will also rise by 0.10% on Friday but the amount of annual interest charged will depend on whether the term is for two, three or four years.

RBC is also raising the rate for a variable five-year mortgage by 0.15% as of Friday.

11. BoC may cut rates again by mid-year: experts

[January 5, 2016] We could be looking at another rate cut from the Bank of Canada by mid-year, says Douglas Porter, chief economist of BMO Financial Group. Along with the other Big Five economists, he spoke at the Economic Club's 2016 outlook breakfast this morning.

While domestic growth was buoyed by stronger-than-expected housing markets and solid consumer spending in 2015, he explains, business investment has remained weak and we'll likely only see 0.5% growth in exports. Also, he predicts the loonie will bottom out in the spring at just below US$0.70, before rebounding to US$0.73 by end of 2016.
Avery Shenfeld, chief economist at CIBC World Markets, adds that we won't see the loonie go higher than US$0.75 in 2016-2017, even if oil improves. That's because $60/barrel oil is "optimistic," says Warren Jestin, chief economist at Scotiabank. He says $60-oil can reinvigorate some American shale gas operations, but that it won't reinvigorate the oil sands, which break even between $60/barrel and $80/barrel.
Beata Caranci, chief economist of TD Bank Group, says those dynamics mean Canadian growth will stay below 2%, even in 2017. Her 1.5% to 1.7% growth forecast for 2016/2017 includes 0.3% growth from fiscal stimulus.

12. Canadian manufacturing weak in December

[January 4, 2016] The Canadian manufacturing sector experienced another reduction in output volumes and new business intakes at the end of 2015, with the latest deterioration in overall conditions the sharpest recorded since October 2010, according to the December 2015 RBC Canadian Manufacturing PMI (Purchasing Manager's Index).
Subdued business confidence at the end of the year played a part in lower spending levels and delays to new projects, particularly in the energy sector. Plus, manufacturers responded to the latest fall in new work by lowering their inventories and initiating price discounting strategies.
Meanwhile, payroll numbers decreased for the sixth month running amid a sharp and accelerated fall in work-in-hand across the sector.
"Business conditions in the Canadian manufacturing sector fell at a survey-record pace in December, as weaker domestic demand and ongoing uncertainty in the energy sector continues to take its toll," says Craig Wright, senior vice-president and chief economist, RBC. "Across Canada, Alberta and British Columbia experienced the sharpest deterioration in conditions, while Ontario continued to be a national bright spot, posting a sustained rise in output production."
But, he adds, "As the U.S. economy strengthens, we expect to see improvements in Canadian manufacturing sector activity levels."
The details

Adjusted for seasonal influences, the RBC Canadian Manufacturing PMI registered 47.5 in December, down from 48.6 in November. That means it's sitting below the neutral 50 threshold for the fifth consecutive month.
In December, the survey revealed:

- the sharpest deterioration in business conditions since the survey began in 2010;
- that the output, new order volumes and employment all declined at faster rates in December; and
- that factory gate charges decreased for the first time since August 2013.

On the upside, companies that reported a rise in export sales generally linked that trend to support from the weaker exchange rate, alongside successful efforts to enter new overseas markets. But, survey respondents also noted that falling domestic demand, especially for investment goods, had driven the overall decline in workloads at the end of 2015.
Average prices charged by Canadian manufacturers decreased at a moderate pace in December, which marked the first reduction since August 2013. Anecdotal evidence suggested that strong competition for new work had resulted in renewed price discounting at the end of 2015. At the same time, overall input price inflation eased sharply to its weakest since January, despite continued upward pressure on costs from the weaker exchange rate.
"The Canadian manufacturing sector faced [a] difficult month," says Cheryl Paradowski, president and chief executive officer for SCMA. "Another slight rebound in export order volumes was the main positive development at the end of 2015. The weaker loonie is supporting manufacturers as they look to enter new export markets, but rising manufacturing sales abroad have not yet been able to offset falling workloads from domestic sources and the energy sector in particular."

Have a nice and fruitful week!