Weekly Updates Issue # 588

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1. Weekly Markets Changes

[October 28, 2016]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
14,785.29 -153.8 -1.03%	2,126.41 -14.75 -0.69%	18,161.19 +15.48 +0.09%	5,190.10 -67.30 -1.28%	$0.7462 -0.39¢ -0.52%	$1,276.00 +9.30 +0.73%	$48.66 -2.34 -4.59%

2. Volatility up as Clinton emails prompt new FBI investigation

[October 28, 2016] The FBI informed Congress Friday that it's investigating whether there's classified information in new emails that have emerged in its probe of Hillary Clinton's private server. The FBI originally said in July its investigation was finished.

The disclosure raises the possibility of the FBI reopening the criminal investigation involving the Democratic presidential nominee just days before the election, although it's not clear if that will happen.

Clinton's campaign didn't immediately respond to request for comment.

The news shook markets, sending the CBOE Volatility Index, the so-called "fear index," up 10% on Friday afternoon. The measure reached its highest point in six weeks, The Wall Street Journal reported.

Gary Hufbauer, senior research staff for the Peterson Institute for International Economics, tells Advisor.ca, "I don't think this [news] changes the outcome, but it will narrow the outcome. She has such a comfortable margin in many of the swing states."

He adds the margin may move closer to three percentage points, as opposed to the four or five percentage points he'd been predicting prior.

The emails

In a letter sent to congressional leaders, FBI Director James Comey said that new emails have come to light recently that have prompted investigators to take another look at the sensitive government information that flowed through the private email sever Clinton used while serving as secretary of state.
It was not clear from Comey's letter where the new emails came from or who sent or received them–WikiLeaks has published tens of thousands of confidential emails from Clinton campaign insiders that U.S. intelligence officials have said were hacked in a series of cyberattacks they blamed on the Russian government.
The FBI, which did not respond to questions about Comey's letter, is investigating the recent hacks.
State Department spokesman Mark Toner said the department learned about the FBI letter from news reports and did not get any notification from the FBI. Toner pledged the department would "co-operate to the full extent that we can."
The White House, through a spokesman, also declined to immediately comment.
House Speaker Paul Ryan said Clinton has "nobody but herself to blame."
"She was entrusted with some of our nation's most important secrets, and she betrayed that trust by carelessly mishandling highly classified information," Ryan, R-Wis., said in a statement. "This decision, long overdue, is the result of her reckless use of a private email server, and her refusal to be forthcoming with federal investigators. I renew my call for the Director of National Intelligence to suspend all classified briefings for Secretary Clinton until this matter is fully resolved."
Rep. Bob Goodlatte, R-Va., the chairman of the House Judiciary Committee, said the FBI's decision reinforces the committee's view that the more that is learned about the server, "the clearer it becomes that she and her associates committed wrongdoing and jeopardized national security."
A yearlong investigation by the FBI focused on whether Clinton sent or received classified information using the private server located in the basement of her New York home, which was not authorized to handle such messages.
Comey said in July that his agents didn't find evidence to support any criminal charges or direct evidence that Clinton's private server was hacked. He suggested that hackers working for a foreign government may have been so sophisticated they wouldn't have left behind any evidence of a break-in.
Within minutes of the news, Republican presidential nominee Donald Trump used Comey's new letter to attack Clinton on the campaign trail.

"Perhaps finally justice will be done," Trump said, accusing Clinton of orchestrating a "criminal scheme."
Predicts Hufbauer, "As we come up to the election is the investigation will still be pending or underway." He also doubts that if there were to be an indictment, that it would be handed down prior to the election

3. CIBC to pay $73 million to overcharged clients

[October 28, 2016] CIBC will pay $73.3 million to current and former clients who were overcharged investment fees for up to 14 years.
CIBC World Markets, CIBC Investor Services and CIBC Securities reached a no-contest settlement with the OSC on Friday.
The compensation covers overcharged fees and opportunity cost, the OSC says.
CIBC discovered some of its fee-based investment account clients were being charged twice if their accounts also held funds with embedded fees. It self-reported the problem to the OSC in March 2015.
OSC staff allege there were inadequacies in the CIBC's systems of controls and supervision. OSC staff don't allege, and have found no evidence of, dishonest conduct by CIBC. CIBC neither admitted nor denied the accuracy of the facts and conclusions of OSC Staff.
CIBC is also paying $3 million to advance the OSC's mandate of protecting investors, and a further $50,000 toward the costs of the investigation.
The OSC says that after reporting the problem, CIBC provided prompt, detailed and candid co-operation to with investigators. CIBC has also implemented additional controls and supervision meant to prevent the mistake from happening again.
Earlier this year, CI Investments compensated clients after discovering it had understated a fund's NAV and underpaid clients. Its $156.1-million repayment was the largest-ever no-contest settlement the OSC has seen.
To date, the OSC has approved six no-contest settlements, resulting in approximately $270 million in compensation to investors.

4. Foreign vs. domestic condo buyers: who's more active in GTA?

[October 28, 2016] Foreign purchasers of condos represented 5% of all sales that have occurred within projects currently in active development across the Greater Toronto Area, finds new research by Urbanation Inc., a company that analyzes the Toronto condo market.
Meanwhile, domestic investors represent 52% of sales, says Urbanantion.

In its most recent survey of sales activity in new condo apartment projects, the firm looked at the share of units sold to non-resident buyers as well as domestic investors. The survey was completed by developers or brokerages representing new projects.
The highest shares of sales to foreign purchasers and domestic investors–as opposed to homebuyers–were generally found within centrally-located projects in the downtown Toronto area, the survey notes.
"The results of this very important survey show a rather limited role of foreign buyers in the GTA new condo market and a very significant overall share of investors," says Shaun Hildebrand, Urbanation's senior vice-president. "These estimates coincide with the percentages of new condos entering the rental market upon completion, indicating the important role investors play in the GTA housing market."

Overall condo sales

A total of 6,677 new condo apartments were sold across the Greater Toronto Area in Q3 2016, says Urbanation's Q3 2016 market results. That's an increase of 73% year-over-year and marks the highest level of third-quarter activity on record.
Further, sales were 58% higher than the 10-year average for Q3 periods and 12% higher than the previous high set in Q3 2007, says Urbanation.
But, this time around, total unsold inventory in development plunged by 33% from a year ago to 11,485 — the lowest level since the first quarter of 2007 and representing a record low 5.2 months of supply.
The average index selling price for new condo apartments in Q3 2016 continued to edge higher, rising 2% from a year ago to $590 per square foot. GTA-level price growth has been weighed down by a shift in new development activity to areas outside of the core, says Urbanation.

5. Wallonia concedes to a CETA deal

[October 27, 2016] The Belgian government has reached a deal to back the free trade pact between the EU and Canada, reviving hope for a precarious agreement that was supposed to be officially signed today with Prime Minister Justin Trudeau.
Trudeau scrapped a trip to Belgium late Wednesday shortly after news that the Belgian government had failed to make decisive headway to lift a crucial veto of the trade deal by the regional government for Wallonia.
Belgian Prime Minister Charles Michel announced Thursday morning that days of negotiations with Wallonia has resulted in a deal.
"This is good news," Michel said.

He added that the new text provides guarantees for farmers and on a corporate dispute settlement system that will allow Belgium to sign the deal.

Trudeau's office was awaiting a call from EU President Donald Tusk's office early Thursday with further details.

"This is a positive development, but there is still work to do," Alex Lawrence, a spokesman for Chrystia Freeland, Canada's international trade minister, writes in an email.

"Canada has done its job. We negotiated a progressive agreement that will create jobs and growth for the middle class. Canada remains ready to sign this important agreement when Europe is ready."

Tusk said he would contact Trudeau "only once all procedures are finalized" for the European Union to sign the Comprehensive Economic and Trade Agreement, also known as CETA.

Beyond the Belgian regional parliaments backing the agreement, the adjustments would have to be vetted by the 27 other EU countries. That makes a signing ceremony on Thursday impossible.

Trudeau said Wednesday that Canada was prepared to wait to sign CETA, which took seven years to negotiate.

"We are confident that in the coming days we will see a positive outcome for this historic deal," Trudeau told Parliament in Ottawa.

The EU is Canada's second-largest trading partner, reports TD Economics in a note, and accounts for 9.5% of Canadian external trade. Canada is the EU's fifth-largest trading partner, accounting for 6% of extra-EU goods trade.

Politicians in Wallonia, which has a population of 3.6 million compared with over 500 million for the whole EU, had argued that the proposed accord would undermine labour, environment and consumer standards.

A veto by Wallonia would have prevented Belgium from supporting the Canadian trade deal, which requires unanimous support from the European Union's 28 member states.

What the deal means

In addition to eliminating almost all Canada-EU tariffs within seven years, the deal is expected to facilitate the temporary flow of employees between the two regions, with the current 90-day limit increased to three years for some professions, reports TD Economics. Financial services industries in both regions will see some benefits, but not the full U.K.-style passporting.

Further, TD Economics says businesses in both regions will be able to bid on public contracts — Canadian businesses on EU government contracts, and EU businesses on Canadian government contracts.

But if a revised dispute system is not agreed in coming years, CETA may still be undone.

6. Workers in for another year of modest salary gains

[October 26, 2016] Widespread uncertainty about Canada's economic climate and business conditions means workers will have to make due with small salary increases in 2017.

The Conference Board of Canada's Compensation Planning Outlook 2017 projects average base increases for non-unionized employees of 2.2% next year, with the lowest increases going to workers in Alberta and in the oil and gas industry.

"The economic growth we saw in the first quarter of 2016 quickly tapered off and the energy sector has been hit particularly hard. While conditions are expected to improve, Canadian organizations are being cautious and opting for another year of modest wage increases," says Allison Cowan, director, Compensation Research Centre, The Conference Board of Canada.

Highlights

- Workers in the high technology sector are projected to receive the highest increases, at 2.8%.
- Workers in the food, beverage, and tobacco industry and the finance, insurance, and real estate industry, will gain an average of 2.7%.
- Workers in the oil and gas sector are estimated to receive the lowest pay raises among the industries, at 1.1%.
- The strain on energy companies means 48% are planning to freeze salaries in 2017.
- Job creation in 2016 is projected to be weak at just 107,000 jobs nationally, the worst performance since the 2008-09 recession.

Regionally, workers in Manitoba are expected to have the highest pay raises with an average projected increase of 2.7%. In Quebec and British Columbia, workers can expect salary gains at 2.5%, and those in Ontario and Saskatchewan at 2.4%. In the Atlantic provinces, the projected increases are low at just 1.9%.

More than half — 58% — of organizations are experiencing difficulty recruiting and retaining employees with specific skills. The top professions in highest demand include specialist IT, skilled trades, engineering, management, and sales and marketing.

7. Gender wage gap won't close for 170 years

[October 26, 2016] The global gap in earnings between men and women will not be closed for another 170 years if current trends continue, according to a new report from the World Economic Forum.

The Switzerland-based forum's annual Global Gender Gap Report, released Tuesday, lists economics and health as the most challenging disparities between men and women worldwide.
Of the economic divide, the report says that "at the current rate of change, and given the widening economic gender gap since last year, it will not be closed for another 170 years."
The report has more positive findings when it comes to the gender gap on educational attainment, which it says "could be reduced to parity within the next 10 years."
The widest gap between the sexes, according to the survey, is in political empowerment. But the forum notes that significant progress has been made in narrowing that divide since its first gender gap report was released in 2006.
Four Nordic countries, Iceland, Finland, Norway and Sweden, top the Global Gender Gap index, which measures differences in economics, education, health and political empowerment among 144 countries. No country has fully closed its overall gender gap, but those in the top five, which also includes Rwanda, have closed more than 80% of theirs.
The U.S. placed 45th in the index, down from 28th in 2015. The report cites a decline in the number of women participating in the labour force over the past year as a partial reason for the drop. However, it also notes that the U.S. has attained parity among genders in education.
Yemen comes in last in the index, with the report finding that it has closed just over 51% of its overall gender gap.

8. Cut trade barriers between provinces, says report

[October 25, 2016] Atlantic Canada needs to find a way to reduce regulatory and trade barriers when it comes to the rules on trucks that carry goods around the region, says a report by the Atlantic Provinces Economic Council.
The report says a region with a market six times smaller than Ontario's can't afford barriers in trucking, liquor sales and other sectors. For example, one restaurant owner told the researchers it was easier to purchase wine and beer internationally than from other Canadian provinces.
The study says removing all trade barriers between Canadian provinces could create gains as high as 3.3% of gross domestic product, while the gains would be more than double that for the Atlantic provinces at 7.6% of GDP.
The study points to priority areas, such as the transport industry, where the region still doesn't have a standardized system to monitor carriers' safety performance.

"The trucking industry has been calling for a single carrier profile and safety rating system in Atlantic Canada since at least 2002," says the report, in one of many examples of inconsistent regulations around the region.

Trucking firms also note they sometimes require multiple permits to carry oversize or overweight loads around the Atlantic region, as the provinces haven't come up with a single regional permit system.

The market for alcohol in Atlantic Canada is large, with over $1 billion in sales, yet Newfoundland and Labrador only exports $7 million of its products to other Atlantic provinces, while Nova Scotia sells just $4 million of its products to New Brunswick.

So far, the Atlantic provinces have created a Joint Office of Regulatory Affairs and Service Effectiveness to improve the regulatory environment. The report says this has been a step forward, but that the region needs a comprehensive trade agreement with a dispute resolution system.

"To be of value, an Atlantic trade agreement would need to have sufficient scope and power to address the majority of regulatory barriers," it concludes.

9. BoC inflation target will remain unchanged at 2%

[October 24, 2016] The BoC and the federal government have renewed their inflation target agreement for another five years in an effort to foster price stability and sustainable economic growth.

The target will continue to be 2% — the midpoint of a range of 1% to 3% that the central bank deems acceptable.

The BoC and the government say low and stable inflation has helped underpin the Canadian economy and preserve confidence in the value of money. The inflation target is used to determine monetary policy and set its key overnight interest rate.

Canada started using an inflation target to guide monetary policy in 1991 and has kept the target set at 2% since 1995.

Since then, inflation, as measured by the consumer price index, has averaged close to 2% and only stepped outside the 1%-to-3% range for short periods.

The bank and government say inflation has also been less volatile during that time.

CIBC economist Royce Mendes suggests there was speculation the BoC would increase the target.

"However, the costs of such a change, and the uncertainties associated with being the first major central bank to do so, appear to have outweighed the benefits of such," Mendes writes in a report.

“That said, the bank will continue to research potential improvements to the monetary policy framework in the years ahead given the constraints central banks are currently facing.”
The agreement is set to last for another five years, ending December 31, 2021.

Have a nice and fruitful week!