Weekly Updates Issue # 593

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1. Weekly Markets Changes

[December 2, 2016]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,052.52 -22.92 -0.15%	2,191.95 -21.40 -0.97%	19,170.42 +18.28 +0.10%	5,255.65 -143.3 -2.65%	$0.7520 +1.30¢ +1.76%	$1,179.20 -6.90 -0.58%	$51.68 +5.72 +12.4%

2. Part-time work helps Canada add 10,700 jobs

[December 2, 2016] The Canadian labour market unexpectedly added 10,700 net jobs last month and the unemployment rate slid to 6.8% — but the latest numbers raise questions about the quality of the work.

Statistics Canada's November employment survey shows yet another monthly decline in the more-desirable category of full-time work — a figure more than offset by a gain in part-time jobs.

The report says the market added 19,400 part-time jobs last month and shed 8,700 full-time positions.

Compared with November 2015, Canada gained 183,200 jobs overall for an increase of 0.1% — but over that period full-time work fell by 30,500 positions, while the part-time category piled up an additional 213,700 jobs.

Last month's data did beat the expectations of a consensus of economists, who had predicted Canada to shed 20,000 positions in November and for the jobless rate to stay at 7%, according to Thomson Reuters.

The jobs report says the unemployment rate dropped to 6.8% from 7% because fewer people were searching for work.

The agency says there were 41,300 additional paid employee jobs last month, while the number of positions in the less-desirable class of self-employed workers — some of which may have been unpaid — fell by 30,700.

Over the 12 months leading up to November, the labour market added 220,100 employee jobs and shed 22,100 self-employed positions.
Last month, the services sector gained 31,200 net new jobs, with the bulk of the increase concentrated in finance, insurance and real estate as well as information, culture and recreation.
The country's goods-producing sector lost 20,600 positions with construction and manufacturing seeing the biggest declines.
Statistics Canada also said the number of private-sector jobs rose by 29,700 jobs last month, while the public sector added 11,600.
Among the provinces, Ontario gained the most jobs last month with 18,900 new positions, an increase of 0.3% compared with October. The province has seen job numbers climb 1.5% over the last year.
Alberta shed 12,800 positions last month — 13,600 of which were full-time jobs. On a year-over-year basis, employment in the hard-hit province fell 1.3% overall, while full-time work slid 3.9%.
British Columbia lost 600 positions last month, but compared to a year earlier it still led all provinces with the fastest growth rate of 2.1%.
Quebec added 8,500 jobs in November and, compared to 12 months earlier, employment there climbed by 2%.
Nova Scotia saw a month-over-month increase of 0.8% in November by adding 3,700 jobs. The increase, however, was fuelled by part-time work as the province lost 200 full-time positions.

3. Why more Canadians are making less than average wage

[December 1, 2016] Sticking to a cash flow plan, let alone planning for future emergencies, is a challenge for the growing number of Canadians.
That's because Canada has seen a steady decline in job quality over the last 20 years, finds a new report by CIBC Capital Markets. The report looks at job quality in terms of compensation; it looks solely at wages, using unpublished data from Statistics Canada.
The percentage of Canadians who make less than the average wage (about $25 per hour) is nearly 61%, up from about 58% 20 years ago, says the report.

More part-time jobs

The rise in part-time jobs is part of the problem.
The share of Canadians working in part-time employment made an "unmistakable jump" to 20% during the 2009 recession, from its more consistent 18% level in the previous decade, says Benjamin Tal, deputy chief economist at CIBC Capital Markets, who authored the report.

And the share of part-time workers has yet to return to pre-recession levels, sitting currently at 19.5%. That's partly because part-time jobs account for 90% of all jobs created in the year ending October 2016.

The rise in part-time employment likely reflects demographic forces, says the report, as the majority of this increase was among workers above the age of 55. Says Tal, "However, the fact that half of the increase in part-timers among that age group accrued during the recession suggests that, beyond pure demographics, there is an element of fragility here."

Compensation for full-time work has also worsened over the past decade, with the number of jobs in lower-paying industries rising faster than those in higher-paying industries.

Meanwhile, self-employment has remained steady, which means there's been no surge in technology-driven entrepreneurial activity. But since self-employed workers usually make less than paid employees, that steady state might be better than an increase in self-employment.

The conclusion

Anyway you cut it, more Canadians are making less. Tal's analysis accounts for demographics and inflationary biases due to workers changing job brackets.

"Lower-quality employment might help to explain the sluggish growth in personal income in the past two decades and might provide some insights on the ability of workers, in aggregate, to absorb future economic shocks," says Tal.

4. TD Bank hikes rates for longer mortgages and rental properties

[December 1, 2016] TD Bank is hiking rates for fixed mortgages with longer amortizations and all mortgages on rental properties.

Effective Dec. 1, the lender will charge an additional 10 basis points to their overall rate for all new fixed amortizations of 25 years or more. And all new mortgages on rental properties will have 25 basis points added to their overall rate.

The changes follow a move by TD on Nov. 15, in which it raised its special rate offer for a four-year fixed mortgage by five basis points and for a five-year fixed mortgage by 10 basis points.

TD spokeswoman Cheryl Ficker said in an email that the bank regularly reviews its rates and adjusts them based on a number of factors.

These include the cost that it pays to fund mortgages and the competitive landscape, she said.

5. OPEC will cut oil output by 1.2 million barrels a day

[November 30, 2016] In an all-out effort to restore OPEC's faded clout, the 14-nation cartel moved Wednesday to end infighting and agree to cut output for the first time in eight years. Crude prices surged as a result.

"OPEC will reduce production by 1.2 million barrels a day to 32.5 million a day," reports Bloomberg.

Earlier, the international benchmark for oil soared US$3.56, or 7.7%, to US$49.97 a barrel amid signs that oil ministers had agreed there would be a cut and were discussing how it would be shared among members.

A cut could have a lasting impact on consumers as oil price increases feed into the cost of car fuel, heating and electricity. It could also restore some authority to OPEC as an arbiter of prices and supplies after years of inconclusive meetings undermined by infighting.

Underlining the significance of the meeting, Saudi oil minister Khalid Al-Falih spoke of a "critical day for us in OPEC."

An agreement appeared distant as late as the eve of the cartel's meeting due to a rivalry between Saudi Arabia, OPEC's top producer, and Iran, whose struggle for dominance in the Mideast is also playing out in the Organization of the Petroleum Exporting Countries.

The Saudis have long been hesitant to shoulder the lion's share of a cut, while Iran has resisted reducing its own production. It argues it has yet to recover its output levels hit by years of sanctions.

But as ministers headed into their closed decision-making session, comments from both sides suggested a compromise could be reached.

"We have agreed to a waiver from a cut to Iran in recognition of the impact of the sanctions on their economy and their industry," said Khalid Al-Falih, the Saudi oil minister.

Iran's oil minister, Bijan Zanganeh, confirmed that "for Iran, no reduction, no freeze."

OPEC in September laid out the contours of a cutback the ministers needed to sign off on Wednesday. That agreement aims to pare over 1-million barrels a day off total OPEC production, which is now over 33 million barrels a day.

If implemented, it would send a signal that the cartel, which accounts for about a third of the world crude output, is once again focused on regulating supplies and prices after years of inaction that dented its image.

Any lasting effect on oil prices is unclear, even if cuts are agreed on. Russia, a major non-OPEC oil producer also must join in, and with the world economy feeble and oversupplied with oil, a bounce may be only temporary.

Still, even a symbolic sign that OPEC is back in the business of regulating the market would be significant, and could prompt major crude exporters outside the cartel to follow suit. Al-Falih, the Saudi, said he was hoping for “600,000 combined from non-OPEC,” and participant who demanded anonymity because he was not authorized to comment on the closed consultations said Russia was expected to account for two-thirds of that amount.

Zanganeh said he is “optimistic,” adding that non-OPEC oil nations “already have agreed to cut after our decision.”

“It seems that Russia is ready and sent very positive signal to us for contributing,” he said.

Resolving the Iran-Saudi dispute is key to the success of the meeting.

Once second only to Saudi Arabia in production within OPEC, Iran chafed for years under sanctions that crimped its oil sales while watching its rival increase its output. With sanctions lifted this year as a result of a nuclear agreement, Iran is looking to regain its market share within OPEC while pushing the Saudis to give up gains it says were made while Tehran was sanctioned.

A compromise agreement could see Tehran increasing output, but not to pre-sanctions level of around 4-million barrels a day, as the Iranians originally demanded.

Even a full OPEC cut will not restore crude prices to the levels over US$100 that a barrel fetched in June of 2014, before increased output from the U.S. and other non-OPEC countries led to oversupply.

OPEC then opted to pump at high volumes instead of throttling production, in an attempt to maintain market share and drive U.S. shale oil and gas producers with higher operating costs, out of business.

Crude prices plunged as a result. In January, they fell below US$30 a barrel for the first time in over a decade before rising to levels now that are still less than half of their mid-2014 peak.

6. Canadian economy beats expectations in Q3

[November 30, 2016] The Canadian economy slightly exceeded expectations in the third quarter as it grew at an annual pace of 3.5%, Statistics Canada said Wednesday.

Strong numbers for energy exports helped the country’s real gross domestic product bounce back from a deep second-quarter contraction, which saw the economy recoil by a revised 1.3%, the Ottawa-based agency said.

The healthy rebound followed a second-quarter decline largely caused by oil-production shutdowns caused by Alberta wildfires and scheduled maintenance at oilsands facilities.
Statistics Canada said exports of energy products expanded 6.1% in the third quarter following a decline of 5.1% during the previous period.
Overall, exports of goods and services rose 2.2% in the third quarter compared to a contraction of 3.9% in the second quarter.
A consensus of economists had been expecting the numbers to show that the economy grew at an annualized rate of 3.4% in the third quarter, according to Thomson Reuters.
The key reading for GDP came ahead of the Bank of Canada's scheduled announcement next week on its trend-setting interest rate, which is widely expected to stay at its low level of 0.5%.
In its October monetary policy report, the central bank predicted 3.2% growth for the third quarter and 1.5% for the final three-month period of 2016.
Economists will scrutinize the numbers for signs that economic momentum will carry into the final three months of the year.
In September — the final month of the third quarter — the economy expanded at a non-annualized rate of 0.3%. Economists had been predicting September GDP to rise 0.1%.
That hand-off followed growth of 0.2% in August and 0.5% in July.
The report also found that business investment in machinery and equipment contracted 3.2% in the third quarter, following a gain of 1% in the second quarter.
Business investment in residential structures decreased 1.4% in the third quarter after nine straight quarters of growth. Statistics Canada said most of the decline was due to a 5.7% drop in ownership transfer costs, which point to movement in the resale market.
The lower transfer costs followed British Columbia's introduction of a new tax on home purchases by non-residents, the report noted.

7. Trudeau approves one pipeline, rejects another

[November 30, 2016] Prime Minister Justin Trudeau has approved one controversial pipeline from the Alberta oil sands to the Pacific Coast, but rejected another.
He approved Kinder Morgan's Trans Mountain pipeline to the Vancouver suburb of Burnaby, British Columbia, but rejected Enbridge's Northern Gateway pipeline to Kitimat, B.C.

These are the first major pipeline decisions for Trudeau, whose Liberal government is trying to balance the oil industry's desire to tap new markets in Asia with environmentalists' concerns.

"The project will triple our capacity to get Canadian energy resources to international markets beyond the United States," Trudeau said at an Ottawa news conference. "We took this decision today because we believe it is in the best interests of Canada."

Alberta, which has the world's third largest oil reserves, needs infrastructure in place to export its growing oil sands production. Approving Trans Mountain helps diversify Canada's oil exports. Ninety-seven per cent of Canadian oil exports now go to the U.S.

"We are getting a chance to sell to China and other new markets at better prices," Alberta Premier Rachel Notley said. "And we're getting a chance to reduce our dependence on one market and therefore be more economically independent."

Houston-based Kinder Morgan's Trans Mountain pipeline expansion to Vancouver Harbour in Burnaby will increase the capacity of an existing pipeline from 300,000 to 890,000 barrels per day.

But there remains opposition to the Trans Mountain pipeline in British Columbia, the birthplace of the Greenpeace environmental movement. Despite Trudeau's approval, there is no guarantee it will get built, as it faces strong opposition from environmentalists and indigenous leaders. Vancouver Mayor Gregor Robertson said he was profoundly disappointed by Trudeau's decision and said it would bring seven times the number of oil tankers to Vancouver's waters.

Interim federal opposition Conservative leader Rona Ambrose said she supports the Kinder Morgan pipeline expansion, but doubts it will be built because of the opposition.

Trudeau rejected the Northern Gateway project to northwest British Columbia which passes through the Great Bear Rainforest. Northern Gateway would have transported 525,000 barrels of oil a day from Alberta's oil sands to the Pacific to deliver oil to Asia, mainly energy-hungry China.

About 220 large oil tankers a year would have visited the Pacific coast town of Kitimat. The fear of oil spills is especially acute in the pristine corner of northwest British Columbia, with its snowcapped mountains and deep ocean inlets. Canadians living there still remember the 1989 Exxon Valdez oil spill off an Alaska export hub.

Trudeau also promised to introduce legislation for a moratorium on crude oil tanker shipping on B.C.'s north coast.

"The Great Bear Rainforest is no place for a pipeline and the Douglas Channel is no place for oil tanker traffic," Trudeau said.

Northern Gateway was approved by the previous Conservative government but a federal appeals court blocked it, ruling that aboriginal communities had not been adequately consulted. That put the decision on Northern Gateway in Trudeau's hands.

Trudeau also approved a lesser known Enbridge pipeline replacement called Line 3 that will carry oil from Alberta to the U.S. Midwest. That pipeline will carry oil from Alberta, through northern Minnesota to Superior, Wisconsin. The Line 3 project would nearly double the existing pipeline's volume to 760,000 barrels a day.

Notley said Trans Mountain and Line 3 are critical to the oil-rich province's economic future.

The importance of Trudeau's decisions on pipelines only grew after the Obama administration turned down TransCanada's Keystone XL pipeline that would have taken Alberta oil to the U.S. Gulf Coast. President-elect Donald Trump has expressed support for Keystone XL.

Trudeau noted that more oil would end up being transported by rail if more pipelines are not built. There have been a number of accidents involving oil trains during the past decade in the U.S. and Canada. The worst occurred in 2013 when a runaway train derailed and set off fires that killed 47 people in Lac-Megantic, Quebec.

8. Why did it take so long to put a woman on Canadian money?

[November 29, 2016] On December 8, the Bank of Canada will announce the new face that will grace one bill in a new series of currency to be issued in 2018. She will be the first woman, aside from Queen Elizabeth II, to appear on the front of our money. (The old $50 featured the Famous Five and Senator Thérèse Forget Casgrain on its reverse, but the Conservative government replaced it in 2012 with an image of a ship.)

The event is being positioned as feminist triumph. The initial announcement was made on International Women's Day and the bill's release will coincide with the 100th anniversary of most Canadian women getting the right to vote. (Though women in Quebec weren't allowed to vote until 1940; Indigenous women couldn't cast a ballot without losing their Indian status until 1960.)

Finance Minister Bill Morneau says the appearance of an iconic national heroine on our money, "will bring real change to a new generation of women who will carry with them constant reminders that they are not only Canada's future, but a celebrated part of our history."

And the ladies who made the shortlist are, indeed, extraordinary: civil rights activist Viola Desmond; poet and performer E. Pauline Johnson (Tekahionwake); engineer Elsie MacGill; Olympian Fanny (Bobbie) Rosenfeld; and early feminist Idola Saint-Jean. All these ground-breaking women's biographies are fascinating, all experienced great success while also battling against sexist and racist discrimination.

How we got here

To get to its final list, the Bank of Canada issued a call for submissions and received 26,000. Those were whittled down to long list of more than 400 and then, at last, to five. As the final step, an expert panel will pick the lone woman to be honoured. No word yet which denomination she'll appear on.

For such a well-intentioned effort, why does it also feel so patronizing? By now, women's historic and current contributions to Canada's culture, politics and economy should be self-evident. The Bank of Canada shouldn't be congratulating itself, it should be embarrassed it took this long to put a woman on our money. (QEII on the $20 doesn't count, she's there for the monarchy, not the sisterhood.)

At any point, the bank could have been more inclusive. The long list is rich with options. Why the massive, exhaustive search to track down one female worthy to stick on a bill?

Think of the men currently on our money: Wilfred Laurier ($5), John A. Macdonald ($10), William Lyon Mackenzie King ($50) and Robert Borden ($20). No explanation or justification was offered for the selection of these prime ministers to appear on our currency. Their greatness, their worth and their merit was taken as a given.

But really, Robert Borden? Unlike the charismatic Wilfred Laurier, Borden never set any pulses racing. When Maclean's ranked the best and worst prime ministers last month, Borden was near the bottom rung of long-serving leaders, at spot number nine.

King and Macdonald were at the top, but with serious caveats. Macdonald starved First Nations communities and took land from the Métis — he also very likely spent much of his time in office drunk. King was hostile to Jewish refugees, oversaw the internment of Japanese-Canadians and was a fan of Hitler's as late as 1937. He was a kook who believed in spiritualism, and by all accounts an unpleasant man. Dean Oliver from the Canadian Museum of History told Maclean's that "King was stubby, sweaty, and sneaky."

To be fair, we're a young country and a small one, and when it comes to our prime ministers, the bench isn't all that deep or thrilling. (Think I'm being harsh? Then I dare you to come up with one compelling fact about Mackenzie Bowell.) And except for Kim Campbell's short tenure, all have been white men.

We give historical figures weight when we honour them by putting their images on money or their names on buildings, or erect statues of them in parks. If the pool of candidates is limited mainly to politicians, then we're overlooking the vast majority of our country's talent and excellence.

Sure, it's nice that we'll finally have a woman on the bills, but if the government really wanted to shake things up, it would ditch the queen and the PMs and put all five finalists on the new bills. And while they're at it, they might look into the wage gap, too. According to a new report from the World Economic Forum, Canadian women have the same education, literacy and job skills as men, but earn just 65 cents for every dollar men are paid.

At this rate, women's wages won't catch up with men for another 118 years. That's the real problem when it comes to gender and money: who's on the bill matters way less than who's earning it.

9. 1.1 million Canadians have US$1 million

[November 28, 2016] Canada has 1.1 million people with US$1 million, reveals the annual wealth report by the Credit Suisse Research Institute. By 2021, that number will increase 50% to 1.68 million people.

The average wealth per Canadian is $270,179 — 22% lower than in the U.S. (All figures are in U.S. dollars.) But wealth is more equally distributed in Canada, with a smaller percentage of Canadians having less than $10,000 (25% of Canadians vs. about 35% of Americans) and a larger percentage having more than $100,000 (about 45% vs. about 31%, respectively).

As in the U.S., more than half of household wealth in Canada is held in financial assets.

Inequality increases

Despite emerging markets contributing 25% of global growth — compared to only 12% in 2000 — global inequality is rising. The wealthiest 10% own 89% of all global assets.

North America and Europe together account for 65% of total household wealth, but only 18% of the adult population. Canada accounts for 4% of the top 1% of global wealth-holders, despite having only 0.6% of the world's adult population.

Growing inequality could mean increased populism and potentially more volatile markets.

Further, wealth per adult holds steady — at $52,800 globally, with large variations across regions — for the first time since 2008. That's because of weak global wealth growth of 1.4%, combined with wealth creation that was offset by population growth. However, the U.S. and Japan generated wealth, while the U.K. recorded declines, losing $1.5 trillion after the Brexit vote.

Since 2008, gains in household wealth have been driven by increases in financial assets. But interestingly, non-financial assets now take the lead, adding $4.9 trillion to household wealth compared to a rise of $334 billion in financial assets. As a consequence, the share of financial assets in the global portfolio declined for the first time since 2008.

10. OSFI warns lenders about mortgage complacency

[November 28, 2016] Canada's banking regulator warned lenders Monday not to become complacent about the way they underwrite mortgages, reminding them that low interest rates and rising property values aren't guaranteed.

Jeremy Rudin of the Office of the Superintendent of Financial Institutions said prudent lending practices have never been more important because of the current economic environment.

"When house prices have been rising for several years and interest rates have remained at all-time lows, complacency can set in," the superintendent said in the text of a prepared speech for a meeting of mortgage professionals in Vancouver.

"Lenders might be led to believe that weak underwriting standards will be mitigated by ever-rising collateral values."

Rudin's speech touched on advice the regulator issued earlier this year on the industry's practices, including verifying borrower income levels, managing higher-risk loans and ensuring adequate debt-service ratios. He said the sound underwriting of mortgages relies on having reliable information about the borrower and the property that's being purchased.

He mentioned the Bank of Canada's concerns about increases in household borrowing and mortgage debt, in particular. Last summer, the central bank said the severity of the risks associated with a sharp correction in real estate prices in Vancouver and Toronto as well as from household financial stress have risen.

"A pronounced or prolonged economic downturn could well involve a meaningful housing price correction. This could translate into significant losses for lenders and insurers," said Rudin.

The superintendent's office supervises lenders that account for nearly 80% of all Canadian mortgages.

He said too much emphasis should not be placed on collateral.

"Why? Because the value of the debt is fixed, but the value of the collateral is not," Rudin said.

"House prices in most Canadian markets have never been higher, supported by mortgage rates that have never been lower. In these circumstances, prudent lenders put less reliance on collateral values, not more."

Have a nice and fruitful week!