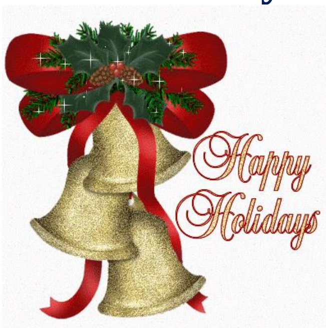
Happy 2020 dear clients and friends, and constant readers of my newsletter!



I wish you and your families good health, happiness and prosperity! Let's hope we'll celebrate together issue 1000 of my newsletter!

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1. Weekly Markets Changes

[January 10, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
17,234.49 +116.05 +0.68%	3,265.35 +44.13 +1.37%	28,823.77 +368.7 +1.3%	9,178.86 +253.9 +2.84%	$0.7662 +0.66c +0.87%	$1,562.34 +80.7 +5.45%	$59.04 -1.32 -2.19%

****All the changes in the value of the indexes, currencies and commodities are calculated based on the values as at December 20th, 2019 - the date of my last newsletter for the year 2019 #745***

2. Canadian job market rebounds after November losses

[January 10, 2020] The Canadian job market bounced back in December to post a gain of 35,200 jobs and reverse some of the losses in November, which saw the biggest monthly loss since the financial crisis.

The increase in the number of jobs came as the unemployment rate also fell to 5.6% compared with 5.9% in November when the country lost 71,200 jobs.

Statistics Canada said Friday the gain in jobs came as the number of private sector employees rose by 56,900, offset by a loss of 21,500 public sector jobs. The number of self-employed fell by 200.

Full-time employment rose by 38,400 jobs, while the number of part-time jobs fell by 3,200.

Robert Kavcic, senior economist at BMO Capital Markets, said the jobs report will allow the Bank of Canada to breathe easier, as the job market finished 2019 on a solid note following some weakness in October and November.

“This should help ease the Bank of Canada’s concern at least that the labour market wasn’t really breaking down at the end of 2019,” he said.

Kavcic said the job losses in November were a “recession-like” figure, but the other economic data didn’t corroborate the report.

The jobs report is notoriously volatile, but the trend in the second half of last year was softer than the start of the year.

Kavcic said he doesn’t expect to see a return to the job gains seen in the first half of last year after the weakness in the fourth quarter of 2019.

“We’re not going to be getting 30,000 or 40,000 jobs per month like we saw through the first half of 2019, we’re probably going to be looking at more something like 15,000, maybe high teens in terms of monthly job growth,” he said.

The Canadian economy added 320,300 jobs for all of 2019, including 282,800 full-time positions and 37,500 part-time jobs.

Sherry Cooper, chief economist at Dominion Lending Centres, said the December employment report confirms the Bank of Canada’s current policy stance that despite headwinds, the economy remains relatively resilient and that further interest rate cuts are unnecessary.

“This assessment can change on a dime in today’s uncertain world, but for now, the central bank is likely to remain on hold,” she said.

The Bank of Canada is set to make its next interest rate decision and release its updated monetary policy report on Jan. 22.

The central bank has kept its key interest rate on hold at 1.75% for more than a year even as many of its international peers, including the U.S. Federal

Reserve, have moved to cut rates and loosen monetary policy in response to weakness in the global economy.
TD Bank senior economist Brian DePratto said the jobs report Friday was consistent with recent comments by Bank of Canada governor Stephen Poloz.
“Some aspects of the jobs data, such as wages, have been performing well, while others, such as hours, have not been.
“It seems we’ll have to wait for this month’s monetary policy report to see where the governor and his team land in interpreting these and other recent trends.”
The overall gain in jobs in December came as goods-producing sector added 15,700 jobs, helped by an increase of 17,000 jobs in the construction industry. Meanwhile, the services-producing sector added 19,400 jobs as the accommodation and food services industry gained 24,900 jobs.
Regionally, Ontario and Quebec led the job gains.
Ontario added 25,100 jobs in December, boosted by gains in construction and public administration. Quebec added 21,100 jobs in the month, helped by gains in the accommodation and food services sector as well as manufacturing.
Newfoundland and Labrador lost 5,000 jobs in December.

3. U.S. adds 145,000 jobs, unemployment holds at 3.5%

[January 10, 2020] U.S. employers downshifted on hiring in December, adding 145,000 jobs as consumer spending appeared to aid gains in the retail and hospitality sectors in what should provide a strong foundation for 2020.
The Labor Department said Friday that the unemployment rate held at 3.5% for the second straight month, prolonging a half-century low. Hiring slipped after robust gains of 256,000 in November there were caused in part by the one-off end of a strike at General Motors.
“We’re starting 2020 in very good shape,” said Gus Faucher, chief economist at PNC Financial Services. “We should see continued economic expansion throughout 2020 driven by consumers.”
Still, the job growth has failed so far to put upward pressure on hourly pay. The pace of annual average wage growth slowed in December to 2.9% from 3.3% a year ago, a possible sign that there is still room for additional job gains despite the decade-plus expansion that has reduced the number of unemployed Americans. There is also the potential that wages jumped in January as many states adjusted their minimum wages.
Some businesses in competitive industries are already taking steps to prepare for wage competition this year. The Big Blue Swim School based in Chicago

vies with day cares, learning centres and gyms for its instructors. The chain has five sites employing on average 30 people and plans to open five more schools this year and 17 in 2021. But it had to dramatically boost wages in order to attract staff for that expansion.

"We gave all of our front-line employees a 10% or 11% raise because of the fear we have about the wage pressures in the economy," said CEO Chris Kenny. "We can't meet our business goal without great staff."

The U.S. economy added 2.1 million jobs last year, down from gains of nearly 2.7 million in 2018. Hiring may have slowed because the number of unemployed people seeking work has fallen by 540,000 people over the past year to 5.75 million. With fewer unemployed people hunting for jobs, there is a potential limit on job gains.

The steady hiring growth during the expansion has contributed to gains in consumer spending. Retail sales during the crucial holiday shopping improved 3.4% compared to the prior year, according to Mastercard SpendingPulse. This likely contributed to a surge of hiring in retail as that sector added 41,200 jobs in December.

The leisure and hospitality sector — which includes restaurants and hotels — added another 40,000 jobs. Health care and social assistance accounted 33,900 new jobs.

Still, the report suggests a lingering weakness in manufacturing.

Factories shed 12,000 jobs in December, after the end of the GM strike produced gains of 58,000 in November. Manufacturing companies added just 46,000 jobs in all of 2019.

Manufacturing struggled last year because of trade tensions between the United States and China coupled with slower global economic growth. Safety problems at Boeing have also hurt orders for aircraft and parts.

4. Retail investors face liquidity risks in alt funds, European regulator says

[January 10, 2020] Retail investors who own alternative investment funds face possible liquidity risks, warns the European Securities and Markets Authority (ESMA) in a new report.

The regulator said that its latest review of the region's 30,357 alternative investment funds found that the sector had a collective net asset value (NAV) of €5.8 trillion, which represents almost 40% of Europe's fund industry.

The vast majority of alternative funds are sold to institutions (84%), but ESMA found that retail investor involvement "is significant at 16%," and it noted the relationship between retail participation and liquidity risks.

"A detailed analysis of the liquidity risks of [alt funds] has highlighted that especially the categories with the highest percentage of retail investors are vulnerable to these risks," said Steven Maijoor, chair of ESMA.

Retail investors accounted for 31% of the funds-of-funds category, and 21% of the real estate category, the report said.

"Many of the funds in the real estate sector offer daily liquidity, which indicates a structural vulnerability risk as they invest in illiquid assets while allowing investors to redeem their shares over a short time frame," it said.

In the funds-of-funds sector, ESMA cited a liquidity mismatch concern.

In particular, it reported that 35% of the sector's NAV is redeemable within a day, but that only 24% of funds' assets can be liquidated daily.

The regulator also noted that hedge funds have increased their use of leverage.

"These funds are exposed to financing risk, as one-third of their financing is overnight," the report said. "However, the fact that they maintain large cash buffers offers some security."

5. Housing starts slowed in December

[January 9, 2020] Canada Mortgage and Housing Corp. says the pace of housing starts slowed in December, mostly because of a decline in multiple-unit projects in urban areas.

The housing agency says the seasonally adjusted annual rate of housing starts came in at 197,329 in December, down from 204,320 in November.

Analysts on average had expected an annual rate of 210,000 for December, according to financial markets data firm Refinitiv.

The overall drop came as the pace of urban starts slowed 4% in December to 185,934 on a seasonally adjusted annualized rate. Starts on multiple-unit dwellings in urban areas fell 5% to 138,049, while urban starts of single-detached homes edged up 1% to 47,885.

Rural starts were estimated at a seasonally adjusted annual rate of 11,395 units.

The six-month moving average of the overall monthly seasonally adjusted rate was 212,160 units in December, down from 219,921 in November.

6. BoC watching global trade impacts

[January 9, 2020] The head of the Bank of Canada says the central bank will be watching for signs that the adverse affects of global trade disputes are being felt beyond the sectors that are directly affected.

Governor Stephen Poloz says the bank will be looking to see the extent to which weakness from manufacturing may spread to services, employment, consumer spending or housing.

Poloz made the comments as part of his participation in what was billed as a fireside chat that was part of the Vancouver Board of Trade's economic outlook forum.

The central bank chief says he'll also be watching the labour and housing markets. The job market softened at the end of last year and Poloz says the bank will be watching the data to see how much of the recent moderation persists.

Other key areas that the central bank will be scrutinizing, Poloz says, will be business investment and the financial markets.

The Bank of Canada has kept its key interest rate target on hold at 1.75% for more than a year even as other central banks around the world have moved to cut rates and loosen monetary policy in response to concerns about a weakening global economy.

7. Earnings momentum to slow for Canada's big banks

[January 9, 2020] Earnings growth and asset quality at the Canada's big banks are expected to suffer in 2020 amid growing economic headwinds, says Toronto-based DBRS Ltd. in a report released Thursday.

The rating agency said it expects earnings momentum to slow for the Big Six in fiscal 2020 due to economic uncertainties and lower interest rates, along with a continued rise in their credit loss provisions.

"With economic conditions remaining challenged this year, given persistent uncertainty around trade and rising political tensions in the Middle East, we expect earnings growth to moderate for the large Canadian banks," said Robert Colangelo, senior vice president, global financial institutions group, at DBRS, in a commentary.

"In addition, the low interest-rate environment will lead to pressured net interest margins while [provisions for credit losses] will continue their path to normalization," he added.

As earnings growth eases, DBRS said it expects the banks' asset-quality metrics to weaken, too.

In particular, the rating agency said it remains concerned about "highly leveraged consumers and elevated housing prices in [Vancouver and Toronto], where housing activity picked up in the latter part of 2019."

Despite the challenges, DBRS doesn't anticipate a deterioration in the banks' credit ratings in the year ahead.

"We believe that the large Canadian banks are well positioned to navigate these economic uncertainties, given their highly diversified core earnings power," it said.

8. Insolvencies up compared to 2018

[January 9, 2020] While insolvencies were down a month-over-month basis, November insolvencies were up by 4.0% from the same month in 2018.

For the 12-month period ending Nov. 30, 2019, the total number of insolvencies was up by 8.7% compared with the same period in 2018.

For the year ended Nov. 30, consumer proposals were up by 17.4%, while consumer bankruptcies were down by 1.9%. Overall, consumer insolvencies were up by 8.9% from the same period in 2018.

Business insolvencies for the 12 months ended Nov. 30 rose by 2.3% compared with the comparable period in 2018, according to new data from the Office of the Superintendent of Bankruptcy Canada (OSB).

9. ASC names top six investment traps

[January 8, 2020] A new year brings new investment options, but the Alberta Securities Commission (ASC) is warning investors to be wary of opportunities that may be "too good to be true."

The ASC's Enforcement division identified investor complaints, ongoing investigations and current enforcement trends to make a list of the top six investment traps to watch for in 2020.

1. Stock promotion related to new and emerging industries

New and buzzworthy industries give rise to exciting investment opportunities, but scam artists capitalize on such industries as there is often limited information available. In recent years, the ASC says it has seen an increase in potential scams related to cannabis, foreign exchange and cryptocurrency.

2. Affinity fraud

In Alberta, affinity fraud — where victims are scammed by someone they trust — continues to be a major concern. The ASC says that currently, religious and cultural groups, particularly in rural areas, are the most susceptible to these fraudsters.

3. Exploiting a bad economy

A major red flag of fraud is the promise of high returns marketed as low-risk. In an unstable economy, a major life change can trigger stress and affect investment decisions. Scam artists take advantage of this vulnerability by offering investors riskier investments with the promise of higher returns.

4. Unscrupulous marketing

According to the ASC, the number of complaints related to high-risk investments marketed as low-risk are on the rise. Scam artist will use "high pressure sales tactics" to entice investors to fall into this trap.

5. Unregistered individuals selling securities

The ASC found that four in five Albertans do not check the registration of their advisor, which unfortunately opens the door for unregistered individuals to sell securities.

6. Promissory notes

The ASC has also seen an increase in reports of investors being promised better and safer returns by loaning money through a "promissory note," which is simply a promise to pay. Fraudsters portray this as a safer option because it's a loan backed by assets (such as real estate), but unfortunately the "loan" is more commonly a scam.

10. CRA call centres get a "D" on CFIB's report card

[January 8, 2020] The federal government's tax information call centres have received a "D" grade on a new report card from the Canadian Federation of Independent Business.

The group says overall quality of service was lower and wait times were longer than in previous analysis of the Canada Revenue Agency's (CRA) call centres, although callers no longer encountered busy signals.

It found 49% of the 200 test calls made by CFIB employees in June 2019 couldn't be completed due to excessive wait times, blocked calls or disconnects.

That's up from 30% of calls that couldn't be completed in a 2016 test and only 20% that couldn't be completed in 2012.

The CFIB also says CRA agents provided incomplete or incorrect information in 41% of the cases where its callers received an answer, compared with 31% in the 2016 report card and 24% in 2012.

The CRA says it's already working on improvements, such as providing an estimated wait time to speak with a senior agent and a feature that allows callers to keep their priority without staying on hold.

"We are also making continuous improvements to our web content, and will soon introduce a chatbot to help make it easier for Canadians to find information online," CRA spokesman Etienne Biram said in an emailed statement.

"These are just first steps. We know there is more work to be done, and we are taking steps to better meet Canadians' needs."

CFIB says its staff posed questions based on four typical business scenarios, such as a consulting company asking how to apply goods and services tax if it operates across the country.

The GST question, which has been posed in previous CFIB tests, was answered incompletely 30% of the time and incorrectly 23% of the time — resulting in callers receiving acceptable answers only 47% of the time.

Another repeat question about applying employment insurance premiums received no erroneous answers and was answered completely 51% of the time and "above and beyond" in 13% of the cases.

The other two scenarios were new additions to the 2019 analysis, one about capital cost allowances (answered acceptably 50% of the time) and another about car allowances (answered acceptably 81% of the time.)

Regarding time required to get answers, the CFIB said that front-line agents connected with English-speaking callers within 30 minutes in 98% of the cases — an improvement from 64% during the 2016 test.

However, the CFIB says that the employment insurance and capital cost allowance questions could only be answered by a senior agent, and the average wait time for a transferred call was 59 minutes.

The business group recommends that the CRA train frontline agents to answer a larger percentage of complex questions, so that fewer calls have to go to a senior agent, and additional senior agents to reduce wait times.

Corinne Pohlmann, CFIB's senior vice president of national affairs, says small business owners rely heavily on CRA to give them the answers they need to be compliant with the law.

"They don't just deal with CRA once a year. They deal with them constantly … and they rely on the CRA to provide them with the answers they need, when they need them," Pohlmann says.

Pohlmann says the business owners are also in a vulnerable position during an audit if the CRA call centre provides incorrect information or if the error is made by an accountant or book keeper hired by the company.

She says one tool that provides some protection is the CRA's My Business Account online portal, which commits to respond electronically in writing within 10 business days.

If the agency's information is later found to be incorrect in an audit and there's written evidence that the business did its due diligence, then the CRA won't impose penalties.

"It's the only avenue that gives some accountability to the CRA and allows the business owner some protection," Pohlmann says.

11. Toronto sees a spike in home sales in December

[January 7, 2020] The Toronto Real Estate Board says home sales were up 17.4% in December compared with the same month last year, while the average price was up almost 12% in the month from a year earlier.

The December jump caps a surge in activity in the second half of last year, while a slower first half meant that overall 2019 sales were in line with annual medians for the decade.

The increased sales over 2018, even as new listings dropped 2.4% year-over-year, helped push the average selling price for the year up by 4% to $819,319.

The average selling price in December was $837,788, up 11.9% from a year earlier.

For the year, condos saw the biggest price gains, up 6.4% to an average of $587,959 compared with 2018, while detached home prices were up 0.9% to an average of $1.02 million compared with the previous year. Condo sales activity was up only 3% overall last year, while detached home sales were up 18.8%.

For December, detached homes actually recorded higher price gains, up 11.6% in the month to $1.05 million as sales were up 26.2% from a year earlier. The average condo price was up 10.4% to $612,464, while sales were up 6.9%.

The increase in activity in the second half of the year came as mortgage rates declined, while the economy remained healthy and the population continued to grow.

Have a nice and fruitful week!

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