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As we speak the markets in America are hitting all time highs yet again. Why? At these current price earnings multiples stocks look pricey according to many analysts and a correction is due. As we discussed in past market updates, the decline of oil and the constant quantitative easing of other G7 nations such as the European Union have pushed equity markets here. The underlying mid to long term effect of the combined mix of cheap oil and low interest rates have forced investors out of near zero percent government bonds to other financial instruments and equities that offer more return. The ability to earn a decent yield from government bonds after inflation has all but disappeared around the globe. As investors seek other options for their capital, equities are more and more being seen as an alternative. Capitals have been flowing out of bonds into equities gradually since the collapse in 2008 with a wait and see approach. What is going on right now is that investors are realising that interest rates are not going to rise quickly any time soon and lower interest rates are here for a longer term. This is the new paradigm. Even another round of quantitative easing from America, QE 4 might be an option as permanent economic growth has yet to take hold not just in North America but globally. If America's export numbers start to weaken due to the greenback strengthening too rapidly, Q4 will become a reality.

True economic recovery in America has yet to come. Since 2008 till today, one thing is for sure for America, economic growth is underway. The predictability of growth, however, is not a given as geopolitical and economic instability have put the globe in a much worse setting than prior to 2008.

Oil's dramatic drop in price from over $100 to struggling with maintaining a price above $55.00 a barrel has acted as quantitative easing on an international scale. The expectation for oil to return to all time highs in short order is just not there at all. Extraction costs are falling along with capital cost spending and total number of rigs extracting oil and gas in North America. Supply still outstrips demand for oil on a global level. The drop in price has a direct deflationary pressure and will prolong the need for interest rates to rise quickly anytime soon..

With all this said, gasoline prices have managed to climb while oil prices have yet to return to past levels

The European Central Bank has done the impossible and unimaginable by buying back bonds at $85 billion a month. This is unprecedented for Europe. A near par Euro dollar with the greenback has been a win fall for German manufacturing. Recent manufacturing reports indicate that even Italy and Spain are starting to see a boost in economic output due to a cheap EU dollar which has driven export.

The demand for return on investment has hit China hard. Easy money from real estate and 30 years of unending growth have come to a near halt. A new trend is emerging in China like never seen before. Novice investors are taking their hard earned capital out of savings and diving into Chinese equities. The need for emulating past capital growth resembles more a casino than investing.

In Canada, federal elections are fast approaching. We have just witnessed two budgets come through for which I will include a separate summary on the federal budget and how it impact you.

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Ontario is critical in two ways for Canada. Federally, it will be the province that will be the hardest fought for votes. Economically, Ontario's manufacturing will be what carries Canada out of the possibility of a recession in the near term till western Canada is able to see oil revenues stabilizes. Labour unrest will be an issue in the months to come. The Bank of Canada may just need to rethink their interest rate policy.

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