Market Update

13 May 2016

Do not believe the hype caused by Donald Trump. America is not going to pieces. My recent business travels have taken me to two ends of the globe. One thing is clear governments around the globe are shifting to fiscal policy at a rapid rate. Many nations in the emerging markets (EM) will have the room to apply monetary easing along side governmental spending programs. However this will play havoc with their currency evaluations.

What we are seeing play out in global trade and economic markets is the China effect. In fact the term used now is 'China Shock'. Since China entered the world trade organization on December 11th, 2001, the cost to produce goods has dropped dramatically year over year. Many things have and are coming to an end for China, such as its vast legion of workers. Based on a census in 2010, about 40% of the worlds population older than 65 live in East Asia. By 2040, the region will lose 90 million people as defined by working age (18-65). Not just China, but the entire region will see the average person get old before they get wealth.

An aging population is just one of the factors which will not see China return to the past glory years of double digit GDP. As part of the grand central economic plan, Chinese leaders instructed state owned corporations to build excess capacity into each and every corporation. Today, we are seeing the net effects of such excess capacity in the price of steel, manufactured goods and ongoing deflation. In order to keep their society somewhat happy and avoid massive labour cuts, the central planning committee for economic policy has ordered a pedal to the metal policy on production. This

Ahmet Jakupi
FINANCIAL SOLUTIONS

Ahmet Jakupi Financial Solutions (AJFS) is a leading integrated solutions private wealth management firm.
We are Fiduciaries for our clients, serving their interests, building long-term trusting relationships and partnerships for over 20 years. As Fiduciaries we are completely focused on serving our client's interest and adding value to their lives

For more info
please visit our website
www.ahmetjakupi.com

or contact us at:
Tel: 1-519-570-4754
Fax: 1-519-954-4754
email: ahmet@ahmetjakupi.com
twitter: @jakupiahmet

Not a client, SUBSCRIBE HERE for a complimentary 30-

has resulted in the flooding of steel markets around the world. The same effect can be seen in other durable goods. What does this mean to you and I? Developed economies want to start the inflation cycle and end deflation. China is doing the opposite.

Let's look at what is going on in America. Housing and real estate prices have reached their peak of 2005 prior to the great recession. The average American is working longer, getting paid more and has seen mild wage appreciation over the last 2 years. Unemployment is holding at 5% with 62% of the population participating in the work force. Again all signs point to an ongoing recovery.

Factoring in the down draft and deflating effect of China and Asia on global GDP, it becomes clear it is the cause. Asia at large is rapidly slowing with aging demographic, a significant cause in the slow down. Simply put, Asia does not have the people horse power or the consumer consumption to continue growing. Consequently, Asian's are getting old before wealth can sustain them and their respective nations.

So how are markets responding? You will see a prolonged exodus of investment capital out of emerging economies into North America. The shift of capital out of EM markets into DM is underway. March of this year saw a firm reiteration by investors that the party is over in the emerging markets and wealth is looking for safe mature developed economies. The entire region of Asia is seeing wealth leave their shores.

The American Federal Reserve will continue with its monetary tightening once all the uncertainty over the Federal election comes to an end. So is Donald Trump having an effect on America's economy as we speak? Yes, but not a beneficial one at all. Even dyed in the wool, Republicans are having a hard time acknowledging and even coming to accept the Donald. House speaker Paul Ryan's backing will be critical.

Client portfolios continue to be North American centric with a strong eye to quality. The current agreement amongst economists is that it will be hard for corporations to grow their earnings and must focus their efforts on training cost in order to meet market

day access to our news service

Visit OUR BLOG for more financial advice and tips!

expectations. So far most corporations are meeting expectations.

Sweden and Australia are two closely watched comparative nations to Canada. All three nations are oil and resource rich. They have developed mature economic and legal systems. Additionally, all three enjoy strong social safety nets. Sweden has officially reduced their interest rates into negative territory while Australia just cut their interest rates. The effects China is having on the entire globe will push our Bank of Canada to revisit interest rates and what other monetary tools are needed to be put into play.

The EU and Europe as a whole face another crisis. Will the exit of Britain from the European trade pact happen? Even without the Brexit issue, the EU faces many fiscal issues which it needs to tackle before serious economic reform can take place. Unfortunately, EU leaders seem to not have the stomach to execute desired change. The European Central Bank will do all it takes to keep the Euro dollar low as to avoid a full stall in exports.

Where does Canada fit in all this global headwinds? Good thing for our neighbour to the South, as long as America continues to grow, so will we. They are our largest trading partner buying over 90% of all Canadian made goods and services. Our Loonie will be our biggest limit to economic success. As the Canadian dollar looks to stay closer to 80 cents than 75 cents, exports will start to slow. Oil and interest rates will be a direct driver on how high our Loonie goes. All expectations are that oil prices can stay above $45 after all over supply ends by 2016.

The International Energy Agency (IEA) on Thursday issued a report widely seen as bullish but that also warned that global stocks are likely to keep rising through the first half of the year despite already high levels. The monthly report from the Paris-based IEA said global oil stocks would continue to increase in the first half of the year as Iran ramps up its production, adding to the nearly two years of oversupply that saw prices dropping to decade lows.

As for Canada, we have been a steady benefactor of foreign money as seen with real estate prices . The province of British Columbia will be the first to introduce rules on foreigners buying land and property. Will other provinces follow suit?

Share Tweet Forward

+1 Share