Your weekly market update

View this email in your browser

Market Update

24 Nov 2017

This week has been a wild one for equity markets and also for President Trump. Let's start with the upcoming change in American Federal Reserve leadership. Chair Janet Yellen, spoke this week of a cautious approach of raising interest rates. A move to raise interest rates too quickly will spook equity and bond markets on a global level including North America. However, for the American Fed it would be weakening a fragile growth. Move too slow by allowing inflation to exceed the 2% threshold and the American economy will over heat and collapse. In the later case the Fed will be forced to catch a falling dagger compared to holding the reins firmly and modulating economic growth. I suspect the incoming Fed Chair Jerome Powell will choose to allow inflation to exceed the 2% in the range of 3%-3.5% before acting. Cementing inflation into the economy has become a major concern not just for the Fed but for all central banks in developed countries.

President Trump has taken on the greatest fight of any leader by binding into the upcoming tax reforms with health care. If the tax reforms pass pretty much as they are through the Senate, then markets will respond joyfully and the transfer of assets will reverse a decades long trend and flow at a great rate with funds moving back into world's largest economy. By a conservative estimate 3 trillion of off shore capital could start to move as the Federal tax rate falls from 35% to 20%.

Real gross domestic product (GDP) increased at an annual rate of 3.0% in the third quarter of this year, according to the "advance" estimate released by the Bureau of Economic Analysis. In the

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-day access to our news service second quarter, real GDP increased 3.1%. Personal income rose by 0.4% in September and by 0.2% in August with real disposable income down by 0.1%. Real GDP increased in 48 States with 267 of 382 metropolitan areas in growth mode. Without a question of a doubt is that economic growth is the most evenly spread across America by states and major cities. However (the is always an however in my updates), all of the economic momentum has been artificially induced and driven by monetary policy and cheap money. We are at the end of monetary easing and climbing up the interest rate ladder. Money is getting more expensive as interest rates climb which taper growth as we move forward. Fiscal policy must be applied for the second leg up and to ensure the mighty economic engine has the thrust needed to propel forward as climbing interest rates have a decelerating effect on speed of propulsion. Tax reforms equals fiscal stimulus. Anticipation is high that core reforms will pass in the business community.

On a global level we see for the first time, synchronized growth though different speeds. The EU through the European Central Banks is still in monetary policy mode with an eye to slow the rate of monetary policy early 2018. Most other European economies are looking to transition out of monetary easing. Brexit and a brewing political crisis in Germany will bring about political uncertainty to the region.

Oil prices are pushing forward and pulling back as supply data conflicts with geopolitical tensions in the Middle East due to planned leadership changes in Saudia Arabia and the surrounding areas. Let’s examine the total oil and gas rig counts operating in America stands at 923 rigs up by 330 rigs from a year ago. That is a whopping 55% increase across oil and gas. Oil rigs are up 57% with gas at 49%. Energy producers have become extremely lean in America and at prices above $55.00 a barrel profit margins are extremely high. The fight for global markets share by American shale extractors is still strong. How OPEC responds will be key at what level prices hold.

Beyond China’s wild debt issuing (massive monetary stimulus) is another issue facing the dragon nation is how to best transition to an advanced service based economy. At present 25% of working age Chinese has only a high school degree. In every country that has made the jump from middle to high income over the past 70 years at least 75% of the working population has a high school degree, before the great leap in income and out of basic manufacturing driven economic growth. All economies will face challenges as advanced services expand and basic manufacturing is overtaken by full automation. Skill specialization will be the key.

Here in Canada, Alberta is on a tear according to the latest economic numbers from conference board of Canada growing at 6.7%. Oil production is back on and so is the hiring. The province of Ontario's new labour bill 148 will need to be digested by employers. Rising tax rates, tighter labour laws and rising costs don't make it easy for corporations to stay in Canada.

My last bit is on cannabis and bitcoin. Block chain technology is definitely part of our new world going forward as security systems ensure data and transactions become critical in the wake of never ending hacks and out right cyber war. Bitcoins biggest value is the ability to complete financial transactions which banks are not permitted under the new Basel III rules. Cannabis has also fuelled the bitcoin valuations as cannabis producers look to move profits into areas other than banks. For the most part even though it is legal to grow and profit from cannabis in some states in America, it is still a Federal crime and proceeds of crime are seized thus prohibiting any banks from taking deposits and/or financial transactions. Money laundering and tax evasion are other major drivers of bitcoin. Governments are always slow to react to changes, which creates a vacuum of opportunity. The paradise paper leaks is just the tip of the iceberg.

Canadian household debt is the highest of any developed nation at 168% of every dollar earned. The Federal Government has put measures to curb such situations as effective January 2018 all mortgages will be stress tested to ensure borrowers could still make interest payments even if interest rates rise by a full 2%. For most it will mean a near 80% jump in interest carrying costs not including a jump in hydro rate by 25% in 2 years time.

+1 Share

Our mailing address is:
69 Glasgow St. Kitchener, ON N2G 2G8