YearinReview_2017_EN_Rough01

Male: So we ended 2017 with a history of strong growth in both the economies around the world and in terms of the capital markets. But 2017 was special because we had strong economic growth everywhere.

We had growth ranging all the way from 1, 1½% to 3% across the major geographies of U.S., Europe and emerging markets.

Then we also had what we call a synchronous growth in the equity markets of all these countries. The European area grew at 10 or 11%. U.S. grew at roughly 20%. Japan and emerging markets at 25%. So what we saw was that strong economic growth was allied with strong capital market growth in the equity markets.

So 2017 was the first year when we saw a big change in how central banks have approached the conduct of monetary policy all across the globe. The biggest change was the announcement by the U.S. Federal Reserve that they're going to start shrinking their $4½ trillion **[01:00]** balance sheet.

The other big change was the announcement by the European central banks that while they're not going to shrink their balance sheets, but they're going to decrease the rate of growth of their balance sheet, which means they're going to slow down on the quantitative easing that has been happening. And we have seen that in England and in Canada as well. And England and Canada have been in the forefront of raising interest rates in a more direct sense, and we have seen that happening in the last six months or so.

And we've also seen that in China where they have made a very conscious decision to raise interest rates. Driven by slightly different objectives, mainly to curb the massive expansion in credit, mainly housing credit that has been going on in China. So all over the world what you're seeing is the central banks are tightening monetary policy and rates are beginning to show a gentle rise. And we expect that to continue.

So 2017 was quite different from the previous years. We had strong **[02:00]** growth in equity markets pretty much across the board, but there was a noticeable lack of breadth, which means that few areas contributed to lots of returns. In the U.S., the technology stocks did very well compared to the other stocks. In the U.S. and in many other markets, growth stocks did much better than value stocks. In Asian markets, emerging market stocks did significantly better than the other markets. In Canada, the resource stocks did much better than the other stocks. So while all markets were up, but the breadth was quite narrow in many of these markets.

Canada had a very good 2017 in terms of its economic growth. It rose by 4% on its GDP measure in the first half of the year. That led to a [sic] increase in interest rates, just like the central bank had been talking about. When interest rates rose in Canada, it led to an increase in the Canadian currency versus the U.S. currency by almost 10%. **[03:00]** In the second half of the year, economic growth has cooled off, housing prices have come down. Resource prices, while still increasing, haven't been as aggressively high as they have been in the past. And the Canadian stock market has been up but not as much as most other economies, and I think that can be traced to the monetary policy moves that have been put into effect sometime in this year.

So the famous Trump trade. Post-November of 2016, after the election of the new president, there's a lot of euphoria that manifested itself in the form of a significant rise of the U.S. dollar versus all other currencies, as confidence in the U.S. economy increased. That also resulted in significant increase in the U.S. economic growth.

These were driven by two things. One was an anticipation in the rollback of regulations in the U.S., which actually happened. And the other was an expectation of reduction in tax rates, which **[04:00]** is still a work in process [sic]. So we are highly confident that the corporate tax rate will be reduced and that'll have positive knock-on(?) effects. The reduction in individual rates is still a work in process [sic] and needs to be seen. But we think that the best thing that can happen is greater consistency in statements that come out of the White House and the Administration. Nothing can be better than having more consistency over time.

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