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Breakfast with Dave

WHILE YOU WERE SLEEPING

The global equity market rally is getting an extension following yesterday's record-breaking action in the U.S.

Momentum is taking over, and listening to WorldWide Exchange on CNBC this morning, the talking heads are now pointing the finger at Donald Trump and his policies as the leading factor behind this latest leg of the rally — in fact, the USA Today runs with a piece titled *Trump is Now the $2.2 Trillion Dollar Man* (the increase in paper wealth from the stock market, based on the Wilshire 5000, since November 8th).

The term "animal spirits" is ubiquitous and the chatter is how the Trump Rally also is very good news for the overseas economy because all of the pro-business measures being adopted (at least "pro" for those businesses not being screamed at either behind closed doors or in tweet format) will be mirrored abroad and lead to higher secular growth there.

Meanwhile, the dark anti-trade message in last week's inauguration speech is being dismissed as pure rhetoric (not to mention immigration; the front page of the USA Today says it all: *Trump Clamps Down on Immigration*. Labour input is a critical component to the supply-side of the economy; the labour force growth for "whites", meanwhile, is a mere +0.5% YoY, far below the +3% for the non-Caucasian segment).

While the economic data have been mixed — the hard data as opposed to the hope embedded in the survey numbers — Q4 earnings thus far have been quite a bit above expected, and this is adding to the enthusiasm (not just earnings, but we have also heard positive guidance for the year as well from the likes of Alcoa and United Technologies).

While it is true that many of last year's concerns have not totally gone away — the Fed, the strong dollar, and a political overhang in Europe, among others — the one thing that is different is the oil price.

This time last year, the oil price was sitting just below $32 per barrel (for WTI) and in free fall, and today it is stable at around $53 — and the spillover to other sectors like manufacturing and financials has no doubt been positive.

And if there is a sector with clear visibility, with or without who is in the White House, it is Energy and capex budgets are already in the process of being ratcheted much higher (especially shale). So any sectors correlated to the energy patch should also do well (services, basic manufacturing, banking) this year and have a theme that transcends the bully pulpit (though at the margin, this is likely to help, not hurt).

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Meanwhile, the dark anti-trade message in last week's inauguration speech is being dismissed

The U.K. economy has yet to buckle under the weight of Brexit concerns

So we have the Euro STOXX 50 up a further 0.4% and the U.K.'s FTSE 100 edging higher by 0.2% — the U.K. economy has yet to buckle under the weight of Brexit concerns as Q4 real GDP expanded 0.6% on a non-annualized quarter-over-quarter basis, ahead of consensus calls of +0.5% (this number is a respectable 2½% annual rate, but before you extrapolate, all the growth was in services, mostly consumer, and so this report had a big soft-sterling-induced "tourism" effect; it was fascinating to see industrial production flatten out last quarter).

The Continental stock market index may only be back to two-year highs, but is just 1.5% short of joining the U.S. in record terrain (the Canadian TSX is just 0.1% shy of that mark; up 2.3% for the year).

Asian equity markets rocked and rolled — Japan's Nikkei 225 soared 1.8%, Korea's KOSPI rallied 0.8%, the markets in Singapore and Thailand firmed 0.4%, and Shanghai tacked on 0.3%.

All in, the MSCI Asia-Pacific index rose an impressive 1.0% today to a 17-month high — with 10 of the 11 sectors gaining ground, so the breadth was as solid as the magnitude of the advance.

The chatter from the talking heads on bubblevision is that the headlines of "Dow 20,000" will entice retail investors who sat out most of this eight-year bull run to finally climb on board and this will trigger the melt-up that the optimists now are calling for (it is curious, isn't it, that it is still referred to as the Dow Industrials when only four remaining members — Boeing, 3M, General Electric and Caterpillar — are true industrials. Since when are Wal-Mart, Goldman Sachs and Apple considered part of the industrial base? And don't forget survivorship bias in these indices, which frequently remove the slow growers and add the fast growers — only G.E. is left of the index first created in 1896. I'm just saying that we often are not comparing a consistent historical data series here).

Hitting milestones aren't always a very positive harbinger

Then again, if you didn't like this market at "Dow 15,000", "Dow 16,000", "Dow 17,000", "Dow 18,000" or "Dow 19,000" — which is where it was back in late November in what was the second quickest 1,000 up-move ever recorded, surpassed only by the move to 11,000 from 10,000 back in the spring of 1999, which then peaked out 10 months later and in fact the Blue-Chips were still at 10,000 11 years later (did not take it out again for good until August 2010); in other words, hitting milestones aren't always a very positive harbinger — then why would anyone love this market at "Dow 20,000"?

Just thought I'd ask.

If history is any indication, the odds that this big, round number proves to be a pervasive ceiling for years to come is at least as high as the odds that this represents a shift to a new chapter in this (eight-year) bull market.

Of course, we were in a big bubble in the late 1990s, but the Tech boom was real — it was no "hope and faith" market rally based on Trumped-up reflation

bets, even if it went too far. It was based on a “facts on the ground” productivity revolution, the sort you see once a generation at most.

There really is nothing fundamental in the magnitude of this current rally, at least not comparable to the spread of the Internet — it is based on Trump-onomics to a very large extent, and all the good stuff is quickly being discounted and really, none of the potential anti-growth stuff (like trade and immigration, not to mention how a border tax is going to negatively affect Silicon Valley, the nation’s innovation zone which is so dependent on global supply chains).

The renewed shift from bonds to stocks is intact — the yield on the 10-year U.S. Treasury note has risen a further three basis points to 2.54%, up 20 basis points now in short order and appears set to challenge the nearby high of 2.6% posted in mid-December.

The 10-year U.S. Treasury appears set to challenge the nearby high of 2.6% posted in mid-December

The yield backup also is evident in Europe — sovereign 10-year yield are up between two basis points in Germany (further and further away from zero, now at 0.48%; the 10-year French OAT yield has pierced 1% for the first time in over a year with today’s five basis points jump) to nearly nine basis points in Portugal and Italy.

There would have been a time when such a widening in peripheral European rate spreads would have made the headlines, reflecting worries over the financial integrity of the euro area, but the fact that this is happening with no ripple effects in other markets is viewed as a positive since it means that the problems in these countries are isolated situations with no contagion effects.

We also see that even though the Bank of Japan has committed itself to a 0% yield on the 10-year Japanese government bond, the yield popped up 2.3 basis points today to 0.08% — that is a big move considering the low starting point (and the 40-year JGB, which was yielding 0% in July, has gapped up to 1%).

Sovereign yields in the rest of Asia also are on the rise — 10-year yields are up more than five basis points in both Singapore and Thailand, by seven basis points in the Philippines and nine basis points in New Zealand.

This backup in market rates is being viewed in the global stock market as validation that reflationary growth expectations are being revised sharply higher on the Trump factor.

The anti-growth protectionist message does not seem to be on the radar screen just yet, or how the Fed is going to respond to all this euphoria, especially since corporate credit spreads across the ratings spectrum have tightened into levels that cannot possibly be sustained, no matter the macro backdrop.

The anti-growth protectionist message does not seem to be on the radar screen just yet

If you think the equity markets are expensive (and they are), the credit markets have reached a point where expected returns have been ground to low single digits, at best.

So global risk appetite is rising still, even in the face (as mentioned) in Club Med yield spreads, as well a resumption of the U.S. dollar bull market, with the recent corrective phase reversing course just as the DXY dollar index was set up to test the 100-day moving average (99.5) but has ticked up 24 pips this morning to 100.26.

Gold is off 1.0% to $1,190 per ounce and not just because of the firmer U.S. dollar, but also because gold is a hedge against uncertainty and like government bonds, is certainly not what investors bulled up on "animal spirits" and Trump "stimulus" would want to focus their attention on (though I have a slightly different take).

While gold is softer today, the oil price is consolidating but copper has hit the highest level since November, in a similar fashion to equities, the red metal is sending off a pro-growth expectation.

Then again, not every entity is raising their growth profile because of conjecture — the Fed hasn't, the Bank of Canada hasn't, and today we see that Ireland's central bank has actually had the temerity to cut its 2017 growth outlook to 3.3% from 3.6%.

But when I bring this up at meetings or conferences, the typical response is a shrug of the shoulder and a remark that "these guys just don't get it!"

And the Dow Theory advocates would be more than happy to point out how the Transports reaching a new high confirmed the run-up in the Industrials, and the technicians will tell you that market breadth has improved to such an extent (after all, Home Depot has soared to unprecedented heights and many would point to this as a validation of the pro-cyclical reflationary investor mindset that has taken over) to justify an overall bullish view through the balance of the first quarter.

Hope is still in the air

Hope is still in the air (quite the obvious statement with the VIX collapsing to 10.7!).

Right after "Dow 20,000" (and The Donald is taking credit for it; just four months ago, he was accusing the Fed of creating a "big, fat bubble" to help Obama get re-elected), we have U.K. Prime Minister Theresa May visiting the United States in the first trip to the White House by an international leader, ostensibly to get to work on a free trade agreement (I should add here that in addition to the guts of the U.K. Q4 GDP report, the CBI reported some very soggy retail sales diffusion data today, with the index of sales volumes plunging to -8 in January from +35 in December; order books were squeezed to +3 from +12).

The anchors on CNBC are dubbing this a new era akin to Reagan-Thatcher

And the anchors on CNBC are dubbing this a new era akin to Reagan-Thatcher (interesting that this is happening just as Mexico's Prime Minister has cancelled his trip to the States; build a free trade zone with U.K. which is America's 7th largest trading partner, and build a wall with America's 3rd most critical trade relationship. You have to go back to the Calvin Coolidge era of the mid-to-late 1920s to see the last time relations between the U.S. and Mexico were this cold

— if you recall, Cal presided over the last leg of the equity bubble at the time and he was a renowned isolationist … hmmm).

Page B1 of the NYT also runs with *Japanese Fear Trade Wars As U.S. Rejects Pacific Pact* — these are the headaches that are not being discounted at the present time.

Mr. Trump has lots of reasons to show that he is willing to ink a deal with the U.K. — not just because this fits in with his theme of pursuing bilateral as opposed to multilateral trade agreements, but this is also a weapon that indeed can be used in this year's European elections to send a message that the European Union has outlived its usefulness. Look for the U.S. President to weigh in on the 2017 election calendar in the Netherlands, France, and Germany (just as he complimented the Brexit vote last June when he landed at his golf course in Scotland, ostensibly unaware that the Scots actually voted to stay — part and parcel of this new era of "alternative facts").

As for Theresa May, the question is whether she can sell a trade deal back home that would be labelled "Britain Second"?

In addition to the soft details in the U.K. real GDP report (besides flat industrial activity after a 0.4% contraction in Q4, construction spending barely rose last quarter), we also were on the receiving end of very weak Italian retail sales for November — down 0.7% MoM in nominal terms and -0.8% in real (volume) terms. And this follows the disappointing German Ifo index that we reported on yesterday.

Very early signs that the improvement we have seen recently in the European data flow has come to a thundering halt.

Very early signs that the improved European data flow has come to a halt

That said, the Japanese stock market is doing everything we had been expecting of it, with the benefits of Abenomics kicking into shifting corporate sector behavior (as in moving idle cash off the balance sheet and into more productive uses) and after lagging so far behind last year, the Nikkei is one of few markets trading at a price-to-earnings multiple discount to its historical norm.

The Japanese currency is competitive and central bank policy is still a tailwind. And there at least is a semblance of political stability, lacking in Europe and in the U.S. as well with an untested albeit ambitious President. The Nikkei 225 is now trading at a 17-year high (in dollar terms), and, importantly, led by the Financials.

Inflationary expectations are again playing a role in the latest backup in bond yields, with 10-year breakeven levels rising back to 2.08%.

That said, when I see *Railroad to Cut Costs Further* (reference to Norfolk Southern), *AT&T Revenue Falls Slightly* and *Weak Holidays on Results* (with regards to toymaker Mattel) all on page B3 of today's WSJ, what is happening in the real world, away from commodities and towards the final stage of pricing, I simply cannot buy into this inflationary viewpoint.

If Mr. Market believes this is a replay of Ronald Reagan, just remember that the inflation rate collapsed from 12% to sub-5% during his eight-year tenure (the product of supply-side economics).

IS IT REALLY ALL THAT BAD?

One would think after reading Friday's inaugural speech that this was 2009 all over again; that the economy was littered with rubble.

One would think after reading Friday's inaugural speech that this was 2009 all over again

Indeed, it is commonplace to lament how this was the weakest recovery on record. But actually, the near-2% GDP pace during the Obama regime was basically in line what we saw during the George H.W. and George W. Bush years.

Not just that, but whatever GDP growth we saw was done on a tighter fiscal budget and more constrained overall credit growth.

What we traded in terms of veracity we got back in terms of more economic stability and duration of the expansion.

This is about to change, as an aside.

There is much being made about how jobs have been stolen from the U.S. and that many of the economic ills we do have relates to bad or unfair trade deals.

Meanwhile, manufacturing employment is falling much faster elsewhere (as in Canada, a key partner in the North American Free Trade Agreement, and China which is no longer the world's low-cost producer) than it is in the U.S.

And for all the naval-gazing, U.S. real GDP growth this recovery is ranked third-best in the OECD — and even the area that is most sluggish, capital spending, is third as well.

So, sorry, but what afflicts the United States is a global, not a local story of there being too much indebtedness and too much excess capacity.

What afflicts the United States is a global, not a local story

In any event, while there was clearly angst that was evident in this election for miners and factory workers being left behind (due mostly to accelerating innovation), the reality is that for the vast majority, economic conditions are not nearly as bad as commonly perceived.

The major issues — like the chokehold from student debt and aging demographics and the impact on the ability to fund entitlement programs in the future — are far more important than the distractions from finger-pointing globalization:

- Housing starts: 534,000 (Q2 2009) to 1.216 million (Q4 2016); a 128% increase
- New home sales: 369,000 (Q2 2009) to 578,000 (Q4 2016-to-date average); 57% increase

- Auto sales: 9.7 million (Q2 2009) to 18.0 million (Q4 2016); an 85% increase
- Jobs created: 11.7 million (household survey) (2Q09 to 4Q16); 96% of which were full-time
- Crude oil production (EIA data): 5.3 million barrels per day (Q2 2009) to 8.8 million barrels per day (October 2016); up 66%
- Petroleum and petroleum products exports (chained 2009 dollar basis): $57.5 billion (Q2 2009) to $119.1 billion (Q3 2016); up 107%

It also has to be said, what exactly is profit repatriation going to accomplish for the economy that the current record of $3 trillion in liquid assets on U.S. corporate balance sheets haven't done yet?

What is profit repatriation going to accomplish for the economy that record liquid assets haven't done yet?

And while business tax reform is essential for efficiency reasons, what will making it non-revenue-neutral accomplish that the 6% average annual growth in profits this cycle hasn't done yet?

The regulation in place has also not stopped the U.S. energy sector from emerging as a global powerhouse or bank credit from rising basis point for basis point this cycle with nominal GDP growth.

A "TIC"-ING TIMEBOMB FOR THE BOND MARKET?

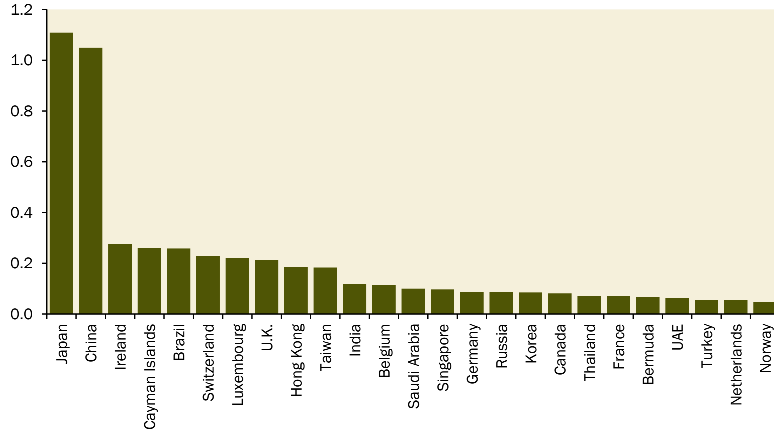
A dataset that typically doesn't draw too much attention, but can help add context to moves in the bond market, is the Treasury International Capital (TIC) report from the U.S. Department of the Treasury — these figures show the flows of money into and out of the U.S, for purchases and sales of U.S. securities and financial instruments.

In particular, the data provide a fairly detailed look at the foreign demand for American government bonds, showing the amount that countries hold of U.S. debt and how these holdings change from month-to-month.

Now, something important to note about the data is that it is subject to what the Treasury refers to as a "custodial bias" — securities purchased by a foreign resident but held in a third party country will be reported as held by that third-party country rather than the true owner of the securities.

This is why small countries that serve as international banking hubs like Ireland, the Cayman Islands, Switzerland, Luxembourg, Belgium (which is home to a large clearinghouse that holds Treasuries in a custodial or collateral arrangement), and Bermuda are found among the top holders of Treasuries abroad.

CHART 1: TOP 25 FOREIGN HOLDINGS OF U.S. TREASURY SECURITIES



Source: Haver Analytics, Gluskin Sheff

But even acknowledging that the ultimate holders of these securities can be a bit blurred, it is highly notable that the TIC data show that Japan and China alone account for 36.3% of the total foreign holdings of Treasuries — and 15.5% of $13.9 trillion worth of all outstanding marketable debt issued by the U.S. Treasury.

Japan and China account for 36.3% of the total foreign holdings of Treasuries

Now, clearly, having buyers represent that large a chunk of a market means that they can have a significant influence over the prices in that market — and the last few months have shown that this very much is the case.

As a reminder, after touching an all-time low of 1.37% in early July in the aftermath of the Brexit vote, U.S. Treasury note yields started to move gradually higher before jolting upwards following the U.S. presidential election, finishing November (the month for which we have the most recent TIC data) at a full 100 basis points above the lows at 2.37%.

CHART 2: 10-YEAR TREASURY NOTE YIELD

United States
(percent)

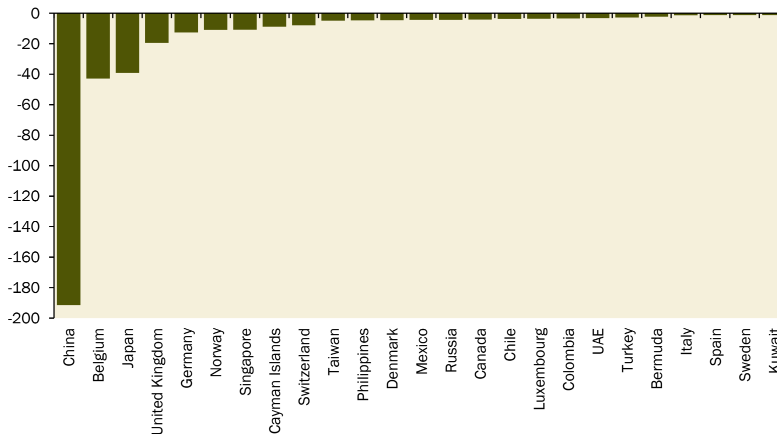
Source: Haver Analytics, Gluskin Sheff

Now, note that since the end of June, Japan's holdings of Treasuries have declined by $39 billion while China's have plunged by $191 billion (Belgium, again home to a large international clearinghouse, was between these two, with a drop of $43 billion over the period). Total foreign holdings of Treasury securities has declined by $336 billion over these last five months (these top three account for 81% of this decline).

Since the end of June, China's holdings of U.S. Treasuries have plunged by $191 billion

CHART 3: DECLINES IN FOREIGN HOLDINGS OF TREASURIES SINCE JUNE

United States: Treasury International Capital Data
(billions of dollars)



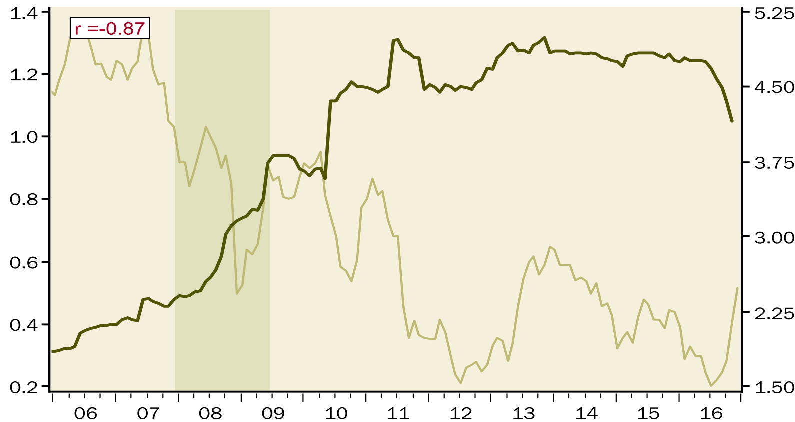
Source: Haver Analytics, Gluskin Sheff

Now, it is highly unlikely that it is simply coincidental that China's holdings of Treasuries and the 10-year T-note yield hold an 87% negative correlation — there is clearly some cause and effect.

China's holdings of Treasuries and the 10-year T-note yield hold an 87% negative correlation

CHART 4: CHINA'S HOLDINGS OF TREASURIES & 10-YEAR YIELDS

United States
(China's Treasury holdings: dark green line, left axis, trillions of dollars)
(10-year T-note yield: light green line, right axis, percent)



Shaded region represents period of U.S. recession
Source: Haver Analytics, Gluskin Sheff

This puts the recent move higher in Treasury yields in a different perspective

And this puts the recent move higher in Treasury yields in a different perspective. While many attribute this flight of funds from the U.S. bond market as being a product of the post-election Trump rally, this suggests that there is another cause beyond a "risk on" tilt to the market.

China's foreign exchange reserves have been declining sharply in recent months as the People's Bank of China (PBOC) has been trying to support the yuan (yes, China has been actively intervening in the currency market, just not in the manner that President Trump believes).

Specifically, since June, the PBOC's foreign currency reserves have declined from $3.205 trillion to $3.052 trillion in November (and down to $3.011 trillion at the end of December). That is a $153 billion plunge from June to November (and the further $41 billion drop in December brings the decline to $194 billion over the last six months of 2016).

Now, in what exact form these reserves are held is not publicly available, but given the near-perfect correlation between the PBOC's foreign currency reserves and China's reported holdings of U.S. Treasuries, it would seem to be safe to say that Treasuries are very much in the mix.

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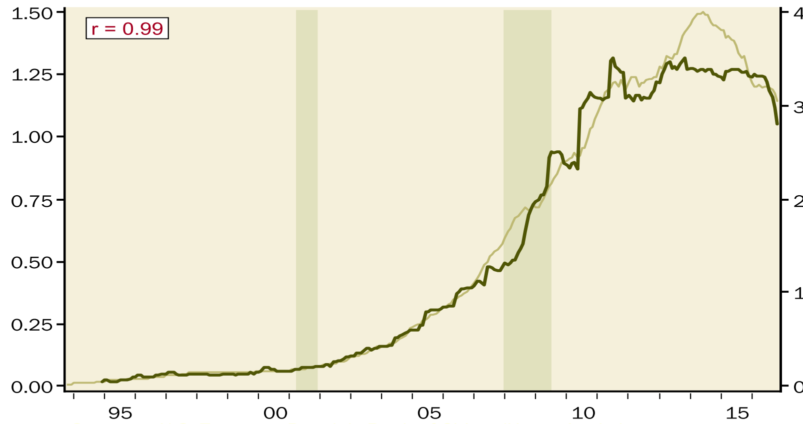
CHART 5: CHINA'S HOLDINGS OF TREASURIES & PBOC FX RESERVES

United States
(China's Treasury holdings: dark green line, left axis, trillions of dollars)
(PBOC foreign currency reserves: light green line, right axis, trillions of dollars)



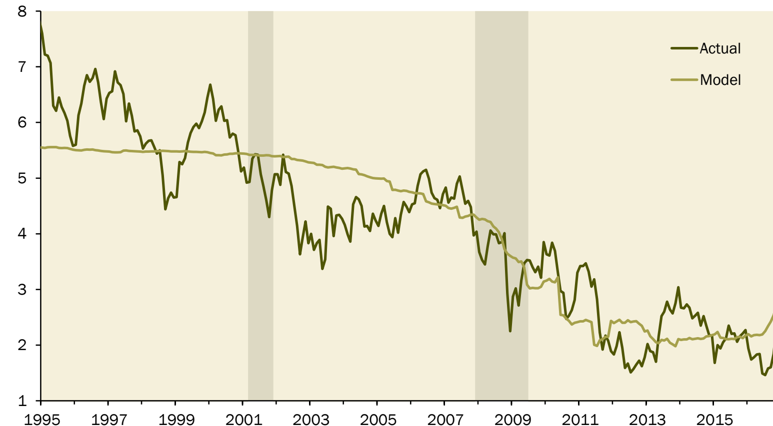
Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

Now, this carries some fairly significant implications for the bond market going forward. By our estimation, based on the historical data, each $10 billion change in China's Treasury holdings translates into a three-basis point move in the 10-year T-note yield in the opposite direction (so, an increase in holdings is coincident historically with a drop in yields and vice versa).

An increase in China's Treasury holdings is coincident with a drop in yields and vice versa

CHART 6: 10-YEAR TREASURY NOTE YIELD

United States
(percent)



Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

So to the extent that China continues to run down its foreign currency reserves (and thus continue to reduce its Treasury holdings), there will continue to be upward pressure on yields.

Similarly, if Chinese authorities decide to replenish their FX reserves, that could prove to be a pretty powerful tailwind for the Treasury market.

So, the near-term action in the American bond market may well end up being more driven by policy decisions in China than those of the new Administration.

BE CAREFUL WHAT YOU WISH FOR

I knew yesterday was the day because I was asked by three business media outlets on what my response would be to Dow 20,000 (then again, we practically had gone there at the open).

Here is my answer: be careful what you wish for — more often than not, these milestones become ceilings for years.

More often than not, these milestones become ceilings for years

Look at the historical record when the Dow reaches a milestone like this:

- It hit 100 in August 1922 but it did not pierce that level permanently for 19 years;
- The index then tests 1,000 in December 1976 but it took six years before investors saw that number again;
- And then there are a few of us who surely recall the Dow touching 10,000, to much fanfare back in December 1999 but this level was not to be seen again for 11 years.

There were plenty of leaders so breadth was decent. The new 52-week high list was decent as well.

The technicals look good, though one can certainly claim that the equity market is overbought. Sentiment and valuations do remain at extreme levels, indeed, and will pose constraints even if not apparent today as the major averages hit record heights.

Not to mention the VIX at a lowly 10.8. In the land of the expensive, insurance is cheap. Indeed, when it comes to quoting a great president, “the only thing we have to fear is the lack of fear itself”.

In the land of the expensive, insurance is cheap

There appears to be no wall of worry to climb presently.

And valuation levels appear totally detached from where risk should price.

We have some likes and lines we think are cheap with credit upgrade trajectories.

But general market beta is uninspiring and finding high conviction ideas is very hard.

HERE'S WHY THE JOBS AREN'T COMING BACK

Outside, that is, of possibly starving out the 23.5 million prime working-age adults who are out of the labour force to incentivize them to hop back into the jobs pool.

The problem on our hands — one of many but this is big — is the dwindling supply of labour. The available pool is down to 13.2 million, down 5% over the past year and the lowest in nine years.

The problem on our hands is the dwindling supply of labour

CHART 7: AVAILABLE SUPPLY OF LABOUR

United States: Unemployed & Not In Labour Force Who Want A Job Now
(millions)

Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

To borrow from President Trump, this is a tragedy (but what's been done about it?).

The demand for labour is there. The number of job openings, at 5.5 million, is up 6.2% from year-ago levels. The number of new hires, at 5.2 million, is down 0.6% YoY. There is a clear and widening gap between the skill set companies are looking for and the skill set that currently populates the U.S. labor pool.

FOCUSSING ON ALL THE GOOD STUFF

That certainly seems to be the case: deregulation, tax cuts & infrastructure.

Little noise is being made about how Donald Trump ends up dealing on the global trade front. But this arguably is the most contentious and anti-growth plank in his platform.

Little noise is being made about how Donald Trump ends up dealing on the global trade front

Everyone apparently thinks that the President is only posturing or that this is all talk and there won't be any action.

Actually, the anti-trade bent by the White House is real. I highly suggest a look at *Take the U.S. President's Protectionism Seriously* — the FT editorial from yesterday. To wit:

> *When the U.S. president said in his Inaugural address that "protection will lead to great prosperity and strength", he was proposing the most dramatic changes in trade policy in years.*

The conclusion was rather chilling:

> *What the first few days of Mr. Trump's presidency have shown is that he is not merely posturing. He believes protectionism will make America richer. The question now is how far he will get before he, and his country, discover just how wrong he is.*

The choices are stark. Tariffs and then retaliatory trade measures.

Regional blocs — like Australia recommending a smaller group of Trans-Pacific Partnership (TPP) members without the U.S.

America can soon begin invoking "rules of origin" more aggressively and change procurement policies to bolster the "Buy America" stance.

Before Mr. Trump talked about "protectionism" being the answer to "great prosperity", he went on a diatribe that went "*we must protect our borders from the ravages of other countries making our products, stealing our companies destroying our jobs*". Wow.

And this from the country that ranked third in terms of economic growth this cycle of the major industrialized nations.

But it isn't just the words, but who Mr. Trump has on his trade team that tells you everything you want to know — the China-bashing trio of Ross, Navarro and Lighthizer.

It isn't just words, who Mr. Trump has on his trade team that tells you everything

The stated goal of eliminating the trade deficit ignores the simple reality that it is a sign of success — the flip side of a current account surplus which is a sign of a stable and strong investment climate — is just a little bit weird.

But the conclusions are the same — cost-push inflation. Whether it gets passed on in the form of final prices will be the key test of how much spare capacity there is out there.

Impaired global supply chains. Jobs lost in the export sector better have those shovel-ready positions ready to build all those airports and repair all those roads and bridges (just like Japan did).

It is not at all difficult to start thinking of gold as a hedge against all the strong possibility that global trade flows turn erratic and end up collapsing.

This trend towards populism, isolationism, protectionism and nationalism has all been written about in the history books; these periods don't typically end up well, and one has to ponder what the future of the world looks like with the

One has to ponder what the future of the world looks like

United States basically declaring a war against globalization (incredibly, just as Xi Jinping embraced freer trade in Davos).

Gluskin Sheff at a Glance

Gluskin Sheff + Associates Inc. is one of Canada's pre-eminent wealth management firms. Founded in 1984 and serving high net worth private clients and institutional investors, we are dedicated to providing our clients with strong risk-adjusted returns together with the highest level of personalized client service.

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PERSONAL

For Gluskin Sheff, delivering outstanding client service is as fundamental as delivering strong investment results. Our clients are unique, and so are their needs. This is why we offer customized investment plans to suit each client's specific objectives and risk profile.

Our success in developing lasting client relationships is founded on shared values, a thorough understanding of our clients' goals and a keen desire to earn their trust and confidence.

ALIGNED

Our investment interests are directly aligned with those of our clients, as Gluskin Sheff's management and employees are collectively among the largest clients of the Firm. Our clients are our partners, through performance-based fees that are earned only when pre-specified performance benchmarks for clients' investments are exceeded.

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For further information, please contact research@gluskinshe .com

Notes:

1. Past returns are not necessarily indicative of future performance. Rates of return are those of the composite of segregated Premium Income portfolios and are presented net of fees and expenses and assume reinvestment of all income. Portfolios with significant client restrictions which would potentially achieve returns that are not reflective of the manager's portfolio returns are excluded from the composite. Returns of the pooled fund versions of the GS+A Premium Income portfolio are not included in the composite.

2. Investment amounts are presented to reflect the actual return of the composite of segregated Premium Income portfolios and are presented net of fees and expenses.

3. The S&P/TSX Total Return Index calculation is based on the securities included in the S&P/TSX Composite and includes dividends and rights distributions. This index includes only Canadian securities.

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