

Your weekly market update

[View this email in your browser](#)



## Market Update

01 April 2016

**Investors have overcome some of their concerns and confidence is coming back.** The beginning of 2016 saw world equity markets plummet. However starting mid February we show the S&P 500 begin to rally and regain ground. Another strong indicator that confidence in equity investing is back is the declining yield on speculation or junk bonds dropping from 10.2% to 8.5%. All this has developed since February 11<sup>th</sup>. Both of the two major concerns and head winds facing the markets have been minimized. China has taken the economic path to reform by plying copious amount of fiscal stimulus. The American Federal Reserve did not jump the gun a second time and has held interest rates steady. A miss step by the Federal Reserve would amplify the wave of worry already brought on by the premature first interest hike by the Fed.

America's economic numbers show no sign of deterioration. The Atlanta Federal Reserve is modelling between 0.40%-0.50% GDP growths per quarter for an annualized rate of 1.9%. Chair of the Federal Reserve Janet Yellen makes it clear that the American Federal Reserve will apply all necessary tools to keeping America's economy growth and not ruling out negative interest rates as a tool. Most if not all central banks in developed nations are in negative interest rate territory which should spur growth in 12-18 months. The spread of negative interest rates and not the lack of confidence in the American green back has been the driving force behind gold prices. Gold will continue to shine as long as nations continue to devalue their currencies by driving interest



---

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](http://www.ahmetjakupi.com)

or contact us at:

Tel: 1-519-570-4754

Fax: 1-519-954-4754

email: [ahmet@ahmetjakupi.com](mailto:ahmet@ahmetjakupi.com)

twitter: @jakupiahmet



---

Not a client, [SUBSCRIBE HERE](#) for a complimentary 30-

rates into negative territory.

Oil and energy are all together in a different place. The rally off the lows has largely stemmed from the market's hopes for an output freeze from Russia, the Saudis, and everyone else who isn't Iran. Oil producers will meet in Doha next month to try and hammer out an agreement. Russia and Saudi Arabia are already pumping at record levels. Russian crude exports are set to rise going forward. The Russian Energy Minister Alexander Novak made it clear earlier this month that: "this will be a freeze on supply not exports". Both nations intend to limit the supply of oil for internal use and sell as much as they can outside for export.

Net capital in flows into commodities related holdings totalled over \$20bn in January-February. This represents the strongest start to a year since 2011. Futures positioning in key markets such as copper and oil has switched rapidly from bearish to bullish extremes in a few short weeks and there is evidence of a surge in investment flows into Chinese commodity markets as well. So it appears that commodity prices that have hit a temporary bottom have rebounded. It is important to note that specific commodity prices such as steel, stainless steel, iron ore, copper and zinc act as bellwethers to health of the underlying global activity. Commodity prices are recovering however the volume buying of those commodities has not recovered yet

The Euro zone and the ECB have moved from the stance of "whatever it takes to make economic growth happen to whatever" This may be a harsh statement. The fact of the matter is that profits for corporations in the EU zone are stalling. Corporate Europe saw profits fall by 2% last year on a global level and 12% in their emerging markets. As we have discussed in past updates the EU will feel the pain the most economically from a withdrawal of China.

Secondly, the EU and more specifically Germany has political risk. Angela Merkel's star is falling. The main drain on her Uber star power has not been the Syrian refugees but the large population of Russian citizens within Germany's borders. Mr. Putin has been successful in immobilizing this German citizen in a wide range of politically sensitive issues. Unfortunately for Germany this undue Russian influence can temporarily force it to take a soft stance on

day access to our news service

Visit [OUR BLOG](#) for more financial advice and tips!

---

foreign policy. Do not underestimate the powerful shadow that Russia is casting over Europe since the annexation of Crimea. The enemy may not be at Germany's door but it did however just take a key piece of land from your next door neighbour. Staying focused on EU corporation that serve North American markets is valuable. Unlike the political and economic machines of Europe and the Eurozone, European corporations are very lean and highly efficient machines. Government leaders take note.

As a means to address concerns about China's economic future the president of China Xi Jinping said on Wednesday his country's economy was at a new normal and shifting to a slower pace of growth than in the past."The world economy is in the current situation going through a time of deep modifications and the situation is complicated and unstable," he told a Czech-Chinese business forum in Prague in comments broadcast through a Czech interpreter.

"The Chinese economy has entered into the state of a new normal, which is marked by transition from high pace of growth to medium-fast growth. On the other hand, Chinese business stands on a firm base."

It does not take much reading into his statements to understand the Supreme Chinese leader is pointing the finger at the global economy and not China. The deciphered statement could have read as such "Since the world is consuming less Chinese goods than ever anticipated, China must look to shift gear to it's own consumers in order to prop up consumption and the needed manufacturing and sales. Regrettably, the transfer of wealth in China has only gone to a select few so far and the entire process will take time".

Canada not only ranks at the very top as the most competitive mature market place it also surpassed expected GDP growth. The Canadian economy grew more than expected in January as it posted its fourth consecutive monthly increase according to Statistics Canada. Real gross domestic product rose 0.6 per cent in the first month of the year, boosted by manufacturing, retail trade and the oil and gas sector..Economists had expected growth of 0.3 per cent.

KPMG in Canada released its Competitive Alternative Report 2016, revealing Canada as the most cost competitive mature market for business. The high value of the American dollar has enabled Canada to maintain its competitiveness and status in the international rankings, despite higher local business costs such as lease costs for downtown and suburban office space and reductions in federal R&D tax credits. The study, which is conducted biennially, looks at more than 100 cities and 10 countries around the world, examining 26 significant business cost elements, including labour, facilities, transportation, utilities and taxes.

Over the past year, the weakening Canadian dollar and its potential impacts on the future of our economy have caused concern among Canadians. This study sheds light on a more positive outlook, highlighting that the high value of the American dollar has actually been a driver in improving Canada's competitiveness and overall cost advantage. While we wait to see where our economy is headed, this study continues to demonstrate Canada's position as a cost competitive location for business.

Mexico, a NAFTA partner and the only high growth emerging country included in the study, ranks first overall among the 10 countries in the study, with lower business costs than any of the mature market countries examined. Among 111 cities featured in the study, 17 were Canadian. Fredericton, NB ranks as the most competitive in Canada, having edged ahead of 2014's leader, Moncton, NB. The study also reveals that all Canadian cities are more cost competitive than any of the US cities featured; and Montreal, Toronto and Vancouver rank among the most competitive major cities worldwide.

Each Canadian city included in the study, amongst many others across the country, will benefit from the federal government's commitment to driving investment in transportation, climate mitigation and social infrastructure. This commitment will continue to make Canada an attractive investment opportunity for organizations and their employees, setting the stage for our competitive future.

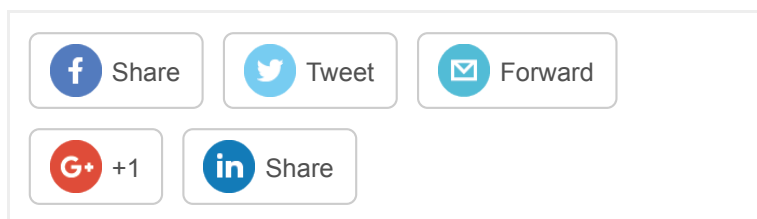
Canada ranks second behind only Mexico in all four sectors

examined: digital services, R&D services, corporate services and manufacturing. Among these sectors, Canada demonstrates its strongest results in R&D services, due in part to the federal and provincial R&D tax credits available. Canada's cost advantage relative to third-placed Netherlands only changed marginally, while Canada's cost advantage over Australia declined due partially to the value of the Australian dollar declining more than the Canadian dollar relative to the American currency.

From a tax perspective, the UK, Canada and the Netherlands offer the lowest effective rates of corporate income tax across a range of business sectors, all helped by tax incentives designed to support R&D and/or other high tech activities.

In summary is Canada on the leading edge to capture growth and investment? Yes! Have the Liberals timed the new stimulus programs correctly. Absolutely, right on the money. Now it is just a matter of watching for the execution of strategy. Will it be done in a timely manner? What will the total cost be? How much additional revenue will this put in our pocket and government coffers?

As a final note, markets will move forward with more confidence and less caution as most of the headwinds for economic growth have turned to tail winds. Oil is the only outlier that has the power to disrupt. Oil's volatile movements are not over by any means. North American centric is still the focus.



**Our mailing address is:**

Ahmet Jakupi Financial Solutions  
30 Duke St. W  
Suite 1023  
Kitchener, ON N2H 3W5  
Canada

[Add us to your address book](#)

[unsubscribe from this list](#) [update subscription preferences](#)