MANDEVILLE PRIVATE CLIENT INC.

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MARKET SUMMARY— Heading into November, it was a very close race on who America would elect as their new President and what effects this would have on global financial markets. With uncertainty elevated, the potential for a strong negative market reaction to a Republican victory ran high. Fortunately however, Trump's win did not create the market reaction that some had feared. In Canada, the S&P/TSX Composite climb 2.19%, while the smaller cap S&P/TSX Venture was down -4.61% to close out November. The United States managed to fare astonishingly well, with the Dow gaining an impressive 5.88%, the S&P/500 returning 3.70% and the NASDAQ adding 2.80%. These positive returns in the United States reflected greater stability and economic confidence in comparison to October, and largely discounted the uncertainties of the election outcome.

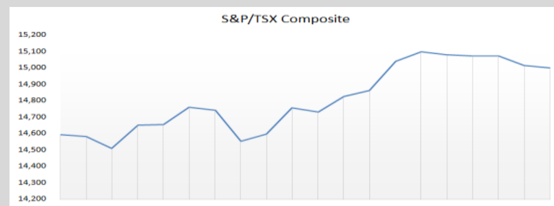
European markets fared less fortunately in November with the FTSE100 losing -1.99% in value and the EURO STOXX 50 only offering a nominal 0.04% return to investors. In Asia, the Japanese market saw some of the largest returns in comparison, with a month-over-month gain of 5.07%. The MSCI delivered a loss of -1.99% while the MSCI Emerging Markets lost an even greater -4.60% for November.

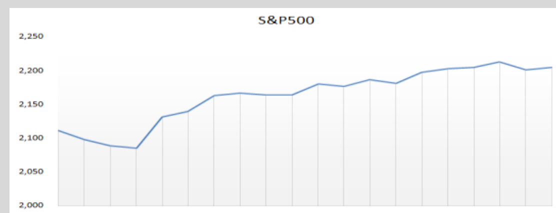
CANADA— The Canadian economy continues to gain slow but steady momentum, led by stronger growth in public spending, higher U.S. demand for Canadian exports, and a highly stimulative monetary environment as reflected in ongoing low interest rates. After the weak economic performance through the first half of 2016, which was influenced by external events (i.e. global oil price pressures [Q1] and the Alberta Wildfires [Q2]), pressure on the services sector appears to now be abating, leading to a rebound in third-quarter growth. Q3 GDP showed that the Canadian economy grew at its quickest pace in over 2 years, expanding by over 0.9% on the quarter (i.e. 3.6% annualized), however taken in context, the extent of this increase was magnified by proceeding the comparatively much lower prior quarter results, hence the normalized growth level really lies somewhere below the reported Q3 statistic.

The consumer sector continues to be the primary contributor to economic growth—this has largely been the case since 2014 and the collapse in global oil prices. The central bank has actively encouraged the consumer segment by lowering rates twice through 2015, and amplifying already stimulative monetary conditions. With interest rates and the cost of capital at generational lows, it's not surprising that household debt levels have risen to all-time highs.

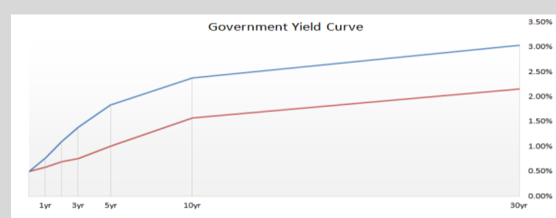
MARKET DIARY -- *MONTH AT A GLANCE*

Equities	Close Nov. 30	MoM TotRet	YTD TotRet
S&P/TSX Composite	15,495.17	2.19%	19.10%
S&P/TSX Venture	739.27	-4.61%	40.64%
Dow Jones	19,623.76	5.88%	12.62%
S&P500	2,244.03	3.70%	9.79%
NASDAQ	5,391.53	2.80%	7.67%
FTSE 100	7,046.49	-1.99%	13.08%
EURO STOXX 50	3,169.64	0.04%	-3.00%
Nikkei 225	18,635.49	5.07%	-2.09%
MSCI EAFE	4,716.31	-1.99%	-2.34%
MSCI Emerging Markets	379.00	-4.60%	10.94%





Fixed Income	Yield	MoM Chg	YTD Chg
BoC Overnight Rate	0.5000	0bps	0bps
3mos Canada T-Bill	0.5040	4.2bps	0.4bps
2yr Canada	0.7010	15.6bps	22.3bps
10yr Canada	1.5820	38.9bps	19bps
30yr Canada	2.1650	31.8bps	1.8bps
Fed Funds Rate	0.5000	0bps	0bps
90d U.S. T-Bill	0.4725	13bps	n/a
2yr UST	1.11	27.21bps	6.53bps
10yr UST	2.38	55.54bps	11.15bps
30yr UST	3.03	45.39bps	1.79bps



Currencies	Nov. 30	MoM Chg	YTD Chg
CAD/USD	0.74	-0.21%	2.97%
USD/CAD	1.34	0.21%	-2.90%
CAD/EUR	0.70	3.50%	5.62%
CAD/JPY	85.18	8.97%	-1.94%
CAD/GPB	0.60	-2.31%	21.35%

Market Factors	Nov. 30	MoM Chg	YTD Chg
Volatility Meter – VIX	13.33	-0.22bps	-0.27bps
Advance/Decline – TSX	1.09	0.17bps	0.54bps

Source: Bloomberg

The latest number on Canadian consumer indebtedness shows households on average owe $1.67 for every $1 of disposable income. While it's difficult to point to a specific level above which this debt ratio becomes unsustainable, the Bank of Canada is acutely concerned with the current number, and permitting monetary stimulus to persist for an extended timeframe would only exacerbate this concern. Persistence of current monetary policy only increases the likelihood that the BoC will eventually need to raise rates more quickly, and thereby increasing the probability that a greater number of households may be unable to meet their debt servicing obligations under the burden of higher interest costs.

Whether central banks had been leaning toward gradually tightening monetary policy (i.e. the Fed) or potentially contemplating further stimulus (i.e. everyone else), there have been a number of finely balanced monetary policy decisions in recent weeks. The Fed's choice NOT to raise rates at its September FOMC meeting was a "close call" and their latest statement did little to suggest the discussion was any different in November. Conversely, the BoC contemplated cutting the overnight rate after revising their growth forecast lower but held off on easing amid several sources of heightened uncertainty in the economic outlook. With the Federal Reserve now moving to raise rates in December, the Bank of Canada is expected to maintain a cautious tone, but the risk of a rate cut is likely to persist through 2017. With rebounding aggregate growth levels instilling greater confidence in the Canadian outlook, it's far more likely however that the Canadian overnight rate will hold steady through 2017.

UNITED STATES—The U.S. Federal Reserve raised its benchmark interest rate in December for the first time in a year, and for only the second time in a decade, as U.S. employment growth gathered momentum. In light of realized and expected labour market conditions, inflation, and citing moderately rising consumer spending, the FOMC unanimously voted to begin unwinding monetary stimulus. The December 14 decision saw the upper bound of the Fed's trend-setting rate rise to 0.75%, up from 0.50%.

While a 25 bps increase in short-term borrowing rates may be a relatively modest change, particularly from the low level from which it moved, this does represent a very significant shift in monetary policy regime. The Fed also estimated that three additional rate increases will be required next year, up from previous guidance that called for only two rate increases. The current action sets a trend for rising rates south of the border that will lead to higher global interest rates and eventually higher U.S. and Canadian mortgage costs, which has the potential for multiple implications.

The Fed forecast that the U.S. unemployment rate will end 2017 at 4.5%. This is slightly below a previous year-end forecast of 4.6%, and sits only slightly below the current unemployment rate at 4.6%.

U.S. President-elect Donald Trump has called for fiscal stimulus through infrastructure spending and tax cuts. Following the December 14th FOMC decision, Federal Reserve chair Janet Yellen said the U.S. employment picture is already so strong there's no need for such a boost. The FOMC said the U.S. job market continues to strengthen and U.S. economic activity is expanding at a moderate pace, though it also noted that business investment has been soft.

The market appears hopeful that the new Trump administration will deliver overall meaningfully positive economic benefits. While certain benefits may potentially be real, as we learned in 2009, new policies even with one party in control, take longer to implement than expected. Policy and intentions also tend to get watered down, and shovel-ready projects still can take years to even start. Tax cuts may help sooner, but likely won't significantly benefit those at the bottom of the income curve who pay no federal income tax. Individuals in lower tax brackets are more likely to spend tax cut savings more quickly. Therefore, any negative impact from new measures implemented could hit the economy before the potential benefits of any stimulus efforts.

The Federal Reserve's mandate is to foster job growth and moderate inflation, both of which appear to be recently gathering steam. The Fed expects U.S. inflation to hit its target of 2% by mid-2018. The December move upward is a signal that the Fed has become more confident in the economic outlook and that inflation should increasingly track closer to the 2% target. The Fed expects that economic conditions will evolve in a manner that will warrant only gradual increases in rates—the federal funds target is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path for rates remains dependent on the economic outlook.

GLOBAL— At its December 8th Governing Council meeting, the European Central Bank (ECB) extended its asset purchase program by nine months to the end of December 2017, but at a rate of €60 billion per month rather than the €80 billion per month established previously. The ECB said it intends to increase the program in terms of size and/or duration if conditions deteriorate. Moreover, it remains open-ended in that the central bank has committed to keep quantitative easing in place until at least the end of next year – or beyond, if necessary and in any case, until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation objective. This of course raises the natural question, what exactly is the ECB's inflation target? Officially, it does not even have one, but rather defines price stability as the rate of Harmonized Index of Consumer Prices (HICP) inflation—which today is below but close to 2.0%. The ECB forecasts HICP inflation to be 1.3% next year, 1.5% in 2018 and 1.7% in 2019. This assumes an average of 1.5% over the next three years, but this follows an HICP level of just 0.2% in 2016. So is sub-1% inflation replacing the previous 2%" target?

These changes – effectively a "stealth" rate cut (without actually cutting policy rates) and a steeper yield curve will benefit banks' net interest margins and in turn help them transmit the ECB's ultra-low interest rates to the real economy. While the eurozone's economic recovery remains on track, get used to 1%-area rates of growth and inflation for the Eurozone, and be watchful of those countries with high debt burdens that are struggling to reach even this low threshold.

KEY ECONOMIC INDICATORS – CANADA

Event	Date	Consensus Est.	Prior
RBC Canadian Manufacturing PMI (Oct)	Nov. 1	(A 51.1)	50.3
Int'l Merchandise Trade (Sep)	Nov. 4	-1.70Bil (A -4.08Bil)	-1.94Bil (R -1.99Bil)
Unemployment Rate (Oct)	Nov. 4	7.00% (A 7.00%)	7.00%
Net Change in Employment (Oct)	Nov. 4	-15.0k (A 43.9k)	67.2k
Participation Rate (Oct)	Nov. 4	65.7 (A 65.8)	65.7
Housing Starts (Oct)	Nov. 8	195.0k (192.9k)	220.6k (R 219.4k)
New Housing Price Index MoM (Sep)	Nov. 10	0.20% (A 0.20%)	0.20%
New Housing Price Index YoY (Sep)	Nov. 10	2.80% (A 2.80%)	2.70%
Bloomberg Nanos Confidence (Nov 11)	Nov. 14	(A 55.6)	55.8
Manufacturing Sales MoM (Sep)	Nov. 16	0.10% (A 0.30%)	0.90%
Int'l Securities Transactions (Sep)	Nov. 17	11.77Bil	12.74Bil (R 12.75Bil)
CPI Core MoM (Oct)	Nov. 18	0.30% (A 0.20%)	0.20%
CPI Core YoY (Oct)	Nov. 18	1.80% (A 1.70%)	1.80%
Wholesale Trade Sales MoM (Sep)	Nov. 21	0.50% (A -1.20%)	0.80%
Retail Sales MoM (Sep)	Nov. 22	0.60% (A 0.60%)	-0.10% (R 0.10%)
Retail Sales Ex Auto MoM (Sep)	Nov. 22	0.50% (A 0.00%)	0.00% (R 0.20%)
Current Account Balance (3Q)	Nov. 29	-$16.50Bil (A -$18.30Bil)	-$19.86Bil (R -$19.02Bil)
GDP MoM (Sep)	Nov. 30	0.10% (A 0.30%)	0.20%
GDP YoY (Sep)	Nov. 30	1.80% (A 1.90%)	1.30% (1.00%)
Quarterly GDP Annualized (3Q)	Nov. 30	3.40% (A 3.50%)	-1.60% (R -1.30%)
Raw Materials Price Index MoM (Oct)	Nov. 30	3.50% (A 3.30%)	-0.10% (R 0.00%)

A=actual; R=revised *Source: Bloomberg*

KEY ECONOMIC INDICATORS – U.S.

Event	Date	Consensus Est.	Prior
Markit US Manufacturing PMI (Oct F)	Nov. 1	53.2 (A 53.4)	51.5 (R 53.4)
Construction Spending MoM (Sep)	Nov. 1	0.50% (A -0.40%)	-0.70% (R -0.50%)
ISM Manufacturing (Oct)	Nov. 1	51.7 (A 51.9)	51.5
Wards Domestic Vehicle Sales (Oct)	Nov. 1	13.68Mil (A 14.05Mil)	13.87Mil
FOMC Rate Decision (Nov 2)	Nov. 2	0.25% (A 0.25%)	0.25%
Factory Orders (Sep)	Nov. 3	0.20% (A 0.30%)	0.20% (R 0.40%)
Trade Balance (Sep)	Nov. 4	-$38.0Bil (A -$36.4Bil)	-$40.7Bil (-$40.5Bil)
Change in Nonfarm Payrolls (Oct)	Nov. 4	173k (A 161.k)	156k (R 191k)
Unemployment Rate (Oct)	Nov. 4	4.90% (A 4.90%)	5.00%
Average Hourly Earnings YoY (Oct)	Nov. 4	2.60% (A 2.80%)	2.60% (R 2.70%)
Labor Force Participation Rate (Oct)	Nov. 4	(A 62.80%)	62.90%
Wholesale Inventories MoM (Sep F)	Nov. 9	0.20% (A 0.10%)	0.20%
Wholesale Trade Sales MoM (Sep)	Nov. 9	0.50% (A 0.20%)	0.70%
Import Price Index YoY (Oct)	Nov. 15	-0.30% (A -0.20%)	-1.10% (R -1.00%)
Retail Sales Advance MoM (Oct)	Nov. 15	0.60% (A 0.80%)	0.60% (R 1.00%)
Retail Sales Ex Auto MoM (Oct)	Nov. 15	0.50% (A 0.80%)	0.50% (R 0.70%)
Business Inventories (Sep)	Nov. 15	0.20% (A 0.10%)	0.20%
PPI Final Demand YoY (Oct)	Nov. 16	1.20% (A 0.80%)	0.70%
PPI Ex Food and Energy YoY (Oct)	Nov. 16	1.60% (A 1.20%)	1.20%
Capacity Utilization (Oct)	Nov. 16	75.50% (A 75.30%)	75.40%
Housing Starts (Oct)	Nov. 17	1156k (A 1323k)	1047k (R 1054k)
Housing Starts MoM (Oct)	Nov. 17	10.40% (A 25.50%)	-9.00% (R 9.50%)
Building Permits (Oct)	Nov. 17	1193k (A 1229k)	1225k
Building Permits MoM (Oct)	Nov. 17	-2.70% (A 0.30%)	6.30%
PPI Final Demand YoY (Oct)	Nov. 17	1.20% (A 0.80%)	0.70%
CPI Ex Food and Energy YoY (Oct)	Nov. 17	2.20% (A 2.10%)	2.20%
Initial Jobless Claims (Nov 12)	Nov. 17	257k (A 235k)	254k
Philly Fed Business Outlook (Nov)	Nov. 17	7.8 (A 7.6)	9.7
Durable Goods Orders (Oct P)	Nov. 23	1.70% (A 4.80%)	-0.30% (R 0.40%)
Durables Ex Transportation (Oct P)	Nov. 23	0.20% (A 1.00%)	0.10% (R 0.20%)
Existing Home Sales (Oct)	Nov. 22	5.44Mil (A 5.60Mil)	5.47Mil (R 5.49Mil)

Existing Home Sales MoM (Oct)	Nov. 22	-0.60% (A 2.00%)	3.20% (R 3.60%)
New Home Sales (Oct)	Nov. 23	590k (A 563k)	593k (R 574k)
New Home Sales MoM (Oct)	Nov. 23	-0.50% (A -1.90%)	3.10% (R 1.20%)
U. of Mich. Sentiment (Nov F)	Nov. 23	91.6 (A 93.8)	91.6
Wholesale Inventories MoM (Oct P)	Nov. 25	0.20% (A -0.40%)	0.10% (R -0.10%)
Retail Inventories MoM (Oct)	Nov. 25	(A -0.40%)	0.30% (R 0.00%)
GDP Annualized QoQ (3Q S)	Nov. 29	3.00% (A 3.20%)	2.90%
S&P/Case-Shiller US HPI YoY NSA (Sep)	Nov. 29	(A 5.46%)	5.32% (R 5.15%)
Consumer Confidence Index (Nov)	Nov. 29	101.5 (A 107.1)	98.6 (R 100.8)
Personal Income (Oct)	Nov. 30	0.40% (A 0.60%)	0.30% (R 0.40%)
Personal Spending (Oct)	Nov. 30	0.50% (A 0.30%)	0.50% (R 0.70%)
Real Personal Spending (Oct)	Nov. 30	0.30% (A 0.10%)	0.30% (R 0.50%)
Chicago Purchasing Manager (Nov)	Nov. 30	52.5 (A 57.6)	50.6

A=actual; R=revised *Source: Bloomberg*

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