Market Commentary
Digital Roadshow 2017

SIGNATURE
GLOBAL ASSET MANAGEMENT™

All cylinders firing
Eric Bushell, Chief Investment Officer

- The health of credit markets (as measured by credit spreads) and financial systems have long guided Signature's asset allocation strategy, as equity market growth depends on well-capitalized banks and robust lending. After two and a half years of deflation marked by the retreat of commodity prices, stifled lending and weak emerging market growth, Signature identified an inflationary "regime change" in August.
- Narrowing spreads indicate that global credit markets are functioning the best they have since the financial crisis, and we expect increased lending to spur corporate growth and earnings as a result. Market sentiment and consumer confidence is positive, supporting Signature's strategy to deploy cash into equities and reduce its weighting in government bonds across its balanced funds.
- Donald Trump's election as U.S. president represents a sea change in how America will be governed. Trump is supported by wealthy and powerful conservative influencers who want lower taxes, less regulation and smaller government in order to foster business investment. Signature expects this will be effective, resulting in higher employment, higher interest rates and a stronger U.S. dollar, all of which support equity earnings growth.
- Equities still offer an earnings yield premium over investment-grade corporate bonds, but the gap has narrowed as equity valuations have increased in recent years. The equity earnings growth spurt that Signature expects should also help equities outperform fixed income and corporate credit over the coming year.
- Potential market disruptions may emerge from instability in the Chinese financial system and in peripheral Europe when the European Central Bank begins to taper its stimulative efforts. Canada's economy will not be immune to the changes in the U.S., and policy adjustments will be necessary to remain competitive.

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