



CIBC  
Wood Gundy

# The Economic Realities of a ‘Low-inflationary’ World

*Parkland County / October 2016*

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## **The Realities Today:**

- Record low interest rates
- Operating in the absence of a commodity boom
- New Gov't uncertainty
- Volatility at record highs

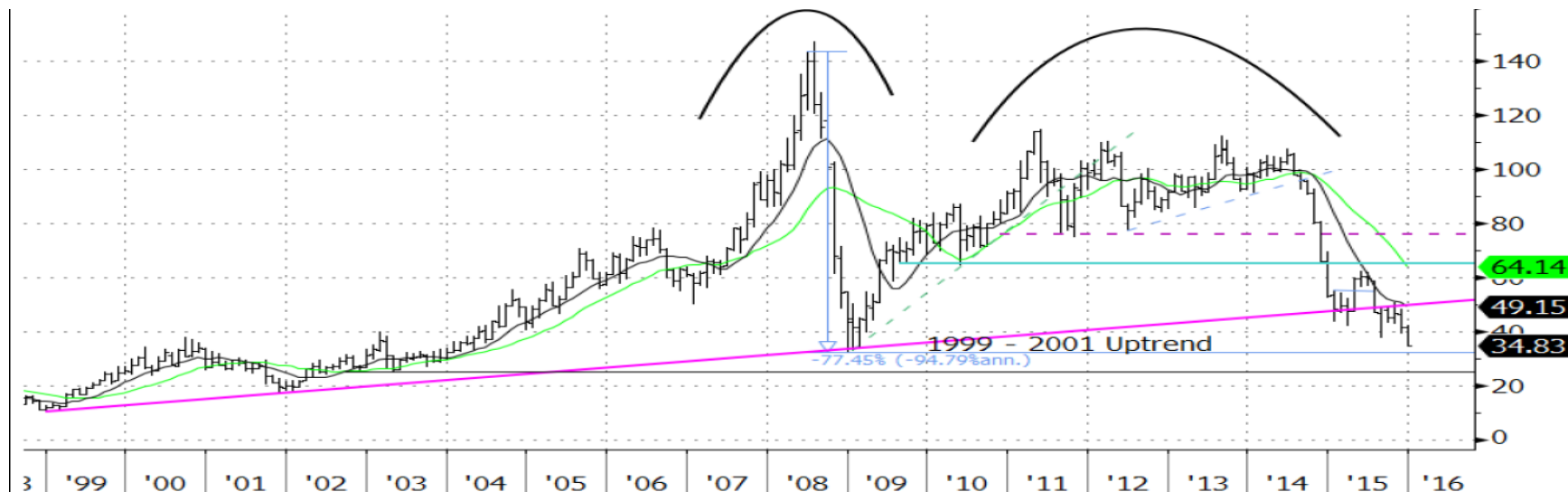
## **The Trickle Down Effect:**

- Higher costs, lower revenues
- Lower investment returns going forward
- Borrowing uncertainty
- Budgeting and forecasting issues



# Commodities: Oil

## The Structural Energy Bear Market

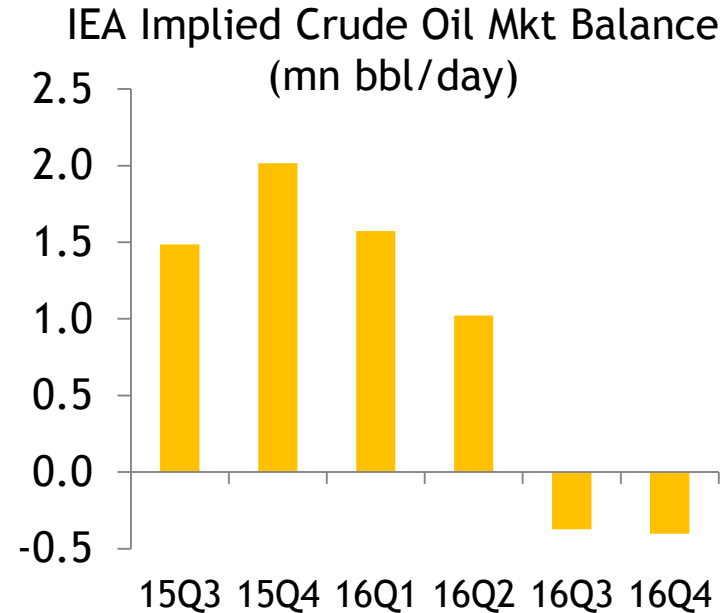
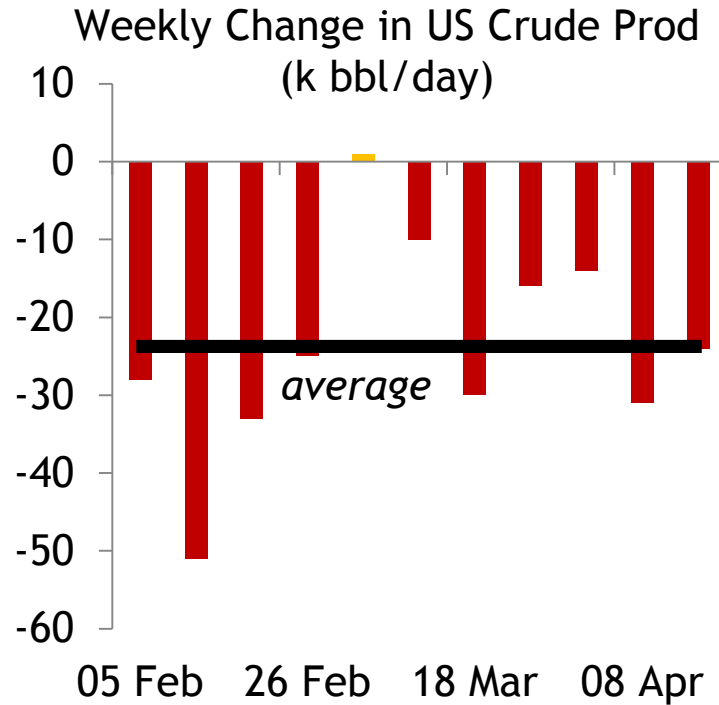


\* - U.S. WTI Continuous futures contract (monthly)



## US Production Declining at Steady Pace (L), Helping Crude Market Reach Balance (R)

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# Commodities: Oil

## Preparing for an inevitable rebound in oil prices

- WTI crude oil price: +84%
- CRB Commodity price index: +15%
- Canadian dollar: +4% (+10% two years post-trough)
- Winning sectors: Energy, Materials and Tech
- Losing Sectors: Utilities and consumer staples
- Emerging market equities: +31%
- CBOE's equity market volatility index (VIX): -14%
- 10-yr U.S. Treasury bond: -3%
- Small Cap stocks (Russell 2000): +8%

Source: Barron's, David Rosenberg (Gluskin Sheff)

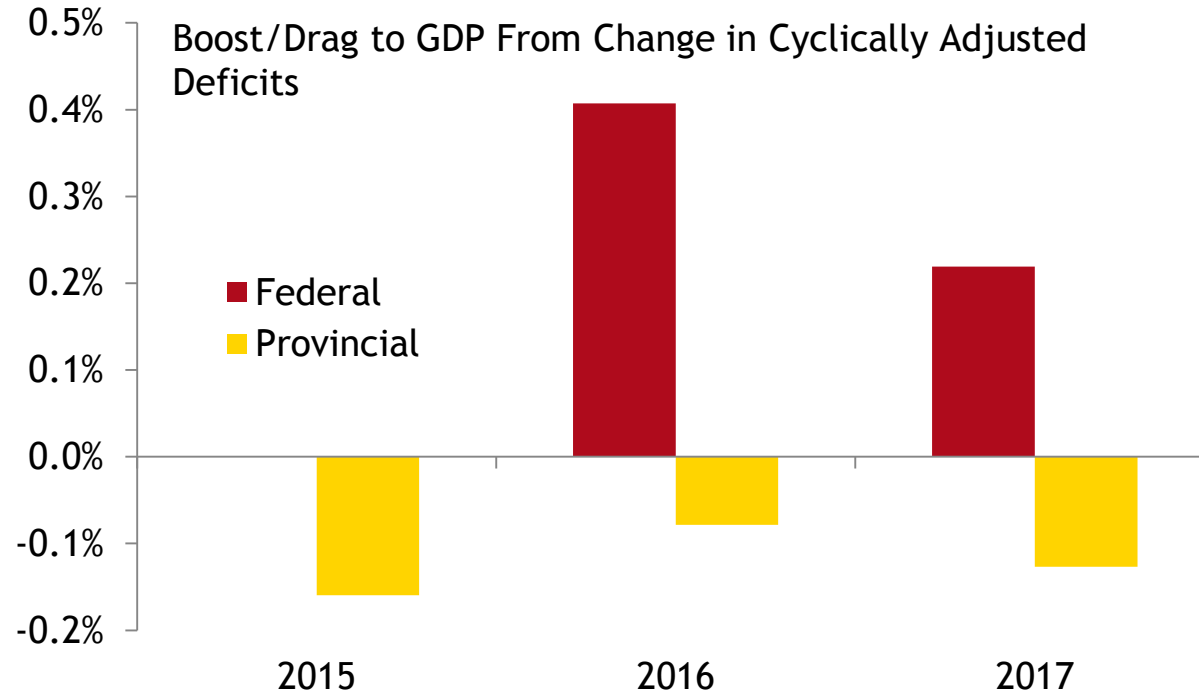
***However this rebound may be slower to materialize than historical precedent***

\* - Historical results for the ensuing 12-months after previous bear market lows in oil



# Federal/Provincial Stimulus is Modest vs 2008-10

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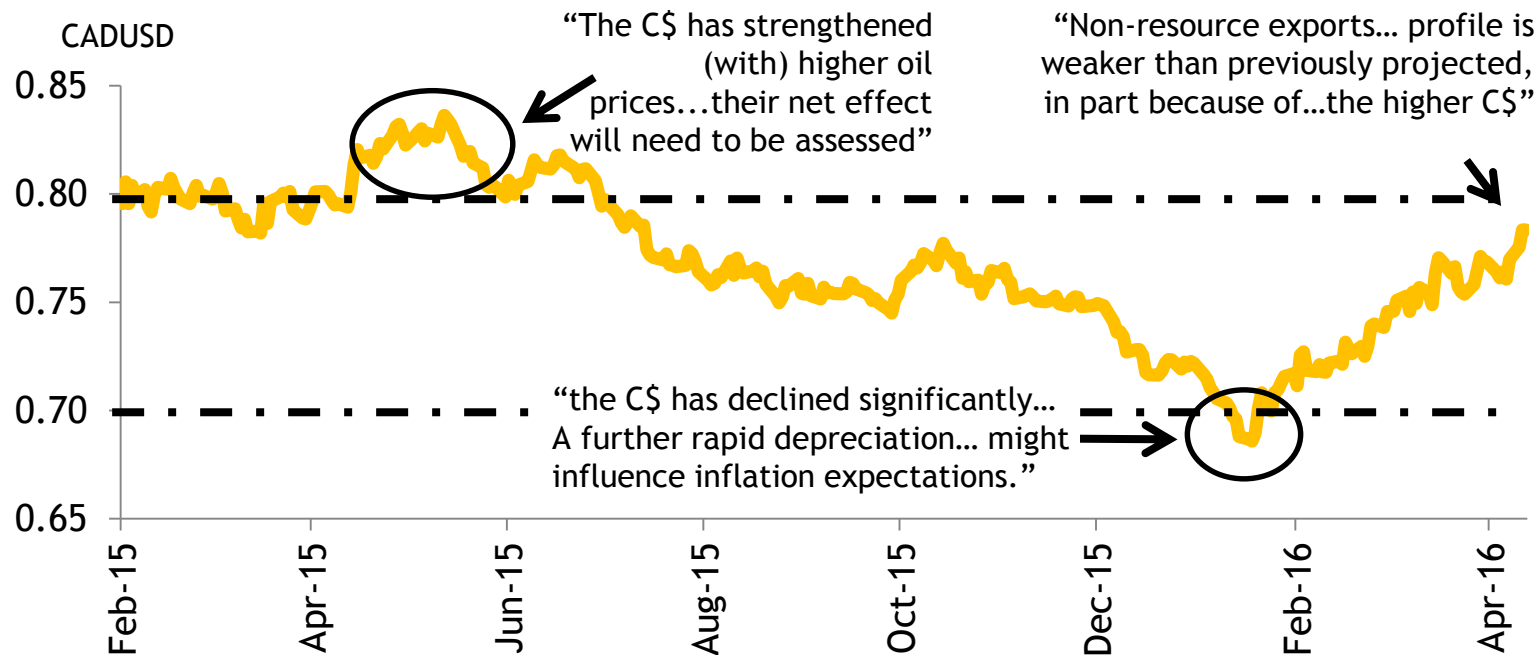


Source: IMF, Budget documents, CIBC



# Has The Bank of Canada Set The Goalposts?

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# Provincial Heat Map: Prairies Cool, Ontario Scorching

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	Y/Y % Chg; 3M Trend	Employment		Jobless Rate	Avg Hrly	Mfg	Retail	Wholesale	Housing	Existing Homes	
		Household	Payroll	Y/Y Chg	Wage	Shipments	Sales	Trade	Starts	Sales	Price
West	BC	3.7	3.1	0.2	0.4	-1.4	7.1	4.7	55.7	38.3	23.0
	Alta	-0.9	-3.8	1.9	4.1	-14.8	-3.0	-10.2	-50.2	-12.0	-1.5
	Sask	-0.9	-1.6	1.5	3.3	-4.5	0.8	-5.1	-6.8	-3.0	-1.9
	Man	-0.7	0.9	0.5	3.6	2.0	7.1	-3.6	-12.4	6.7	3.6
Central	Ont	1.2	2.2	0.0	3.9	9.0	8.0	8.4	41.4	10.1	12.0
	Qué	0.1	0.3	0.1	3.3	1.7	4.0	5.2	34.8	8.1	2.5
Atlantic	NB	-1.8	1.1	-0.3	0.1	-7.9	8.8	2.7	-15.6	4.8	-2.0
	NS	0.3	0.4	-0.3	1.3	13.1	5.9	7.6	23.4	9.7	-1.3
	PEI	-2.9	1.3	0.5	0.0	5.6	6.5	0.6	-26.6	22.1	5.5
	N&L	-1.3	-0.3	0.3	-0.9	-13.9	1.5	-12.8	-15.3	-5.1	-7.0
Canada		0.7	0.8	0.3	3.1	2.5	4.9	3.9	17.8	12.2	16.2

Notes: Unless otherwise noted, figures represent year-over-year % change for latest three-month period;  
 jobless rate represents average level for latest three-month period while jobless rate change represents change in %-pts compared to prior year;  
 based on seasonally adjusted monthly data; in all cases, top-3 performances in each category are shaded

Sources: Statistics Canada, CMHC, CREA





# Location, Location, Location

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	Real GDP Y/Y % Chg				Nominal GDP Y/Y % Chg			
	2014A	2015F	2016F	2017F	2014A	2015F	2016F	2017F
BC	3.2	3.0	2.6	2.5	4.7	4.5	4.4	4.7
Alta	4.8	-2.8	-1.5	2.4	9.1	-9.8	-2.3	6.2
Sask	1.9	-0.9	-0.5	1.9	-0.9	-7.9	-1.3	5.4
Man	2.3	2.3	1.6	2.2	3.5	3.5	3.3	4.4
Ont	2.7	2.6	2.8	2.7	4.1	4.3	4.5	4.9
Qué	1.5	1.1	1.7	2.2	2.5	2.6	3.4	4.4
NB	-0.3	1.9	0.7	1.1	0.6	3.5	2.3	3.2
NS	0.6	1.0	1.0	1.2	1.3	2.5	2.6	3.3
PEI	1.5	1.5	0.8	1.4	3.8	2.3	2.4	3.5
N&L	-2.0	-2.0	-0.8	-0.7	-4.2	-8.5	-1.6	2.6
<b>Canada</b>	<b>2.5</b>	<b>1.2</b>	<b>1.5</b>	<b>2.4</b>	<b>4.3</b>	<b>0.5</b>	<b>2.7</b>	<b>4.9</b>

Source: Statistics Canada, CIBC

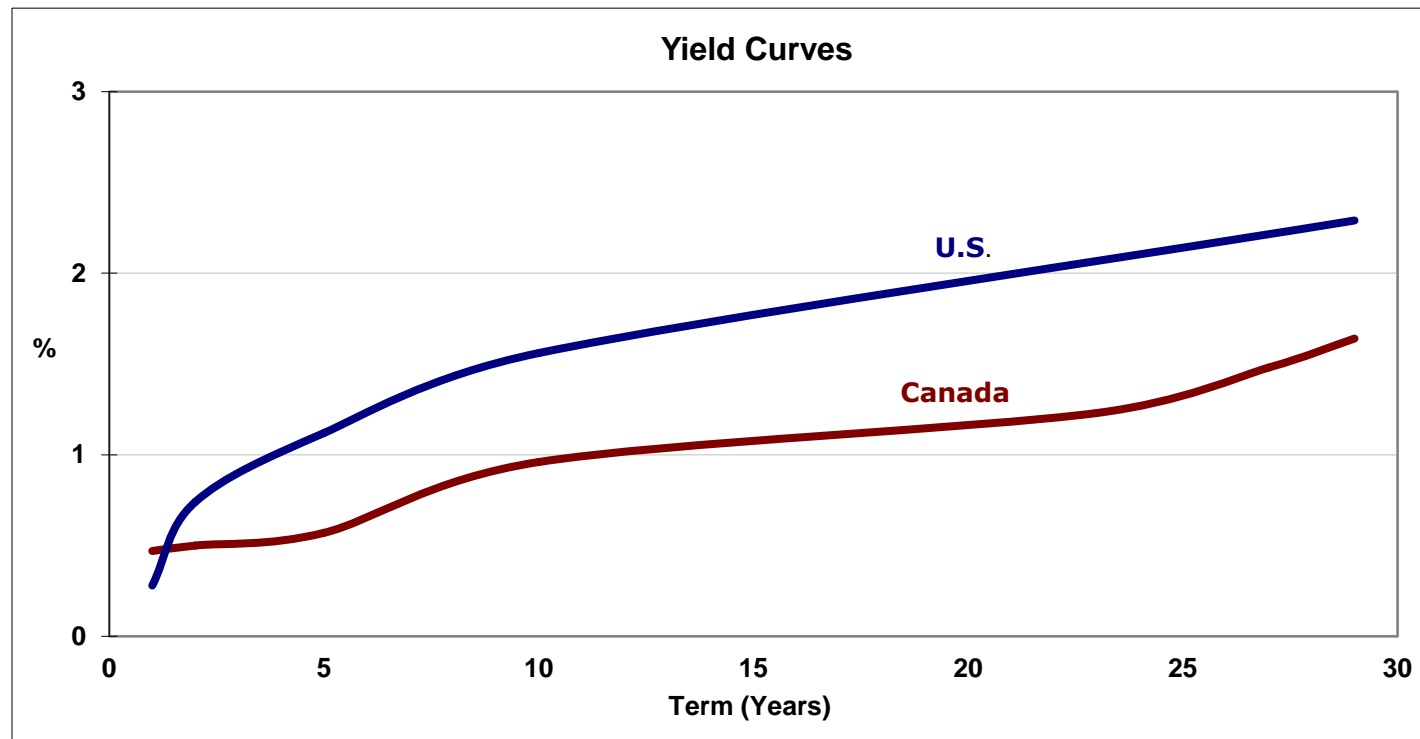


**And looking into  
the crystal ball....**



# The Yield Curve: Our most accurate leading indicator

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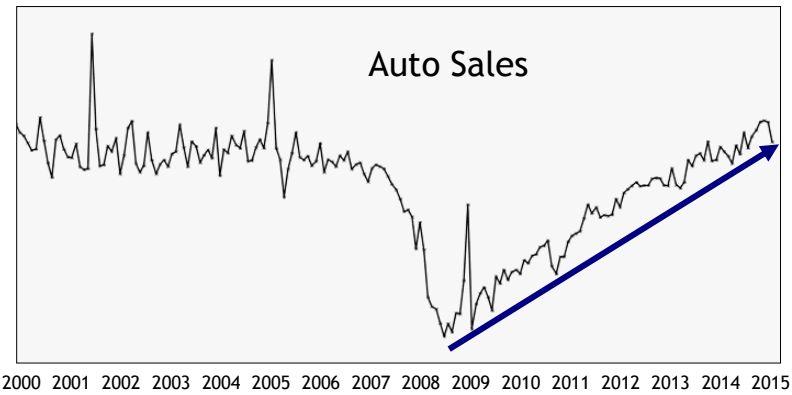
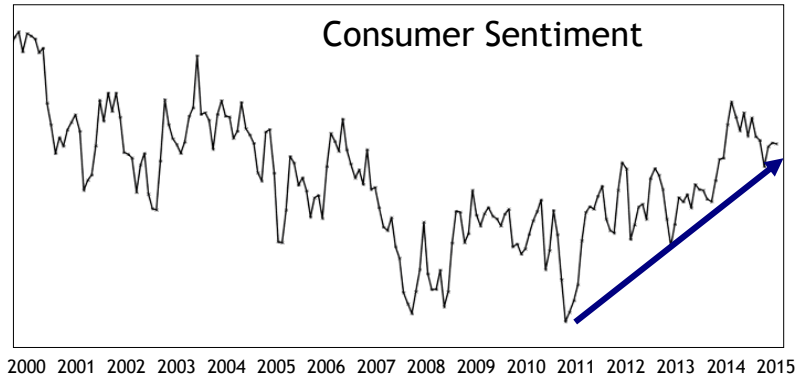
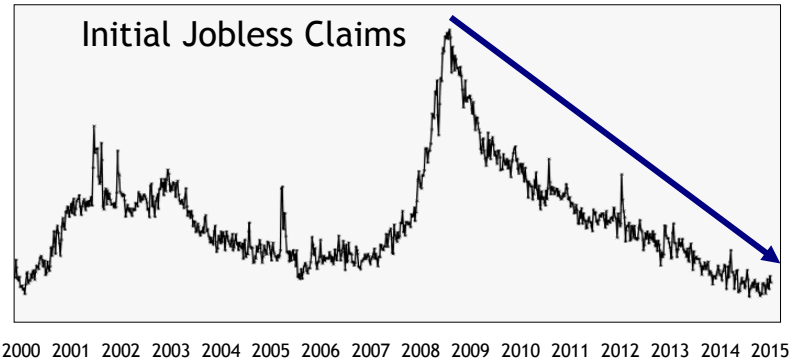


# US 2yr Treasury Yield - A very defined trend

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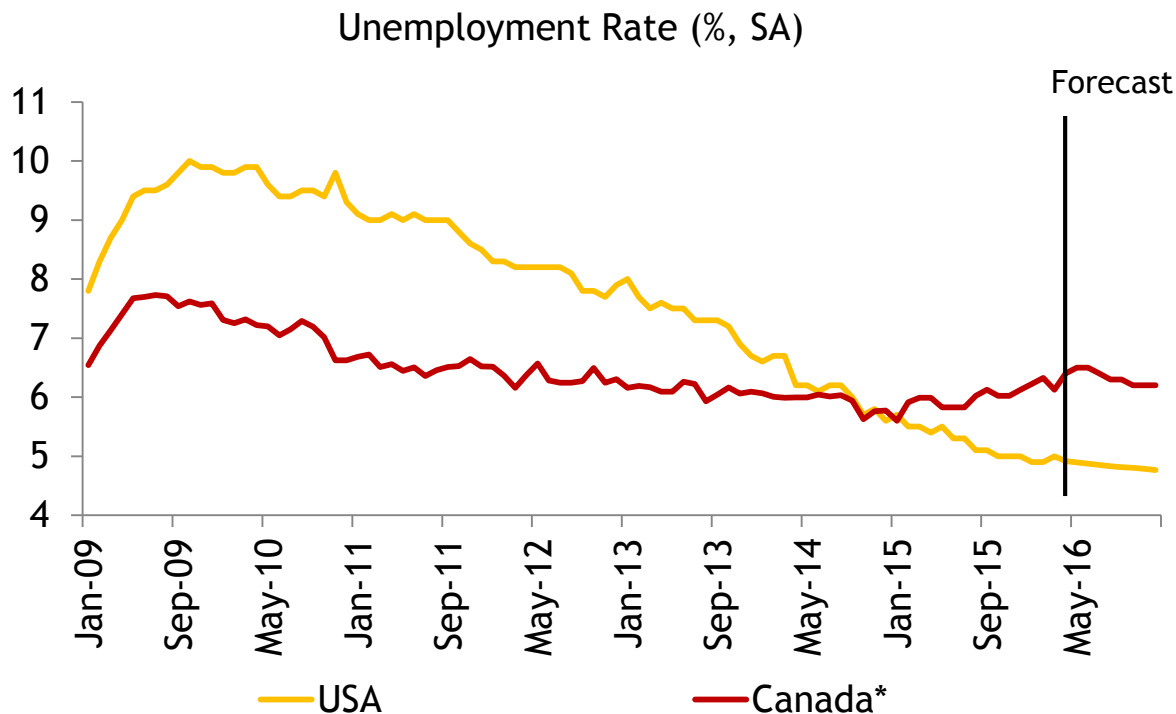


# U.S. Economy Continues to Move Forward



# US Labour Market Passes Canada's... And So Will Policy Rates, as BoC Stands Pat Until Late 2017

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\* Measured using US methodology for comparability



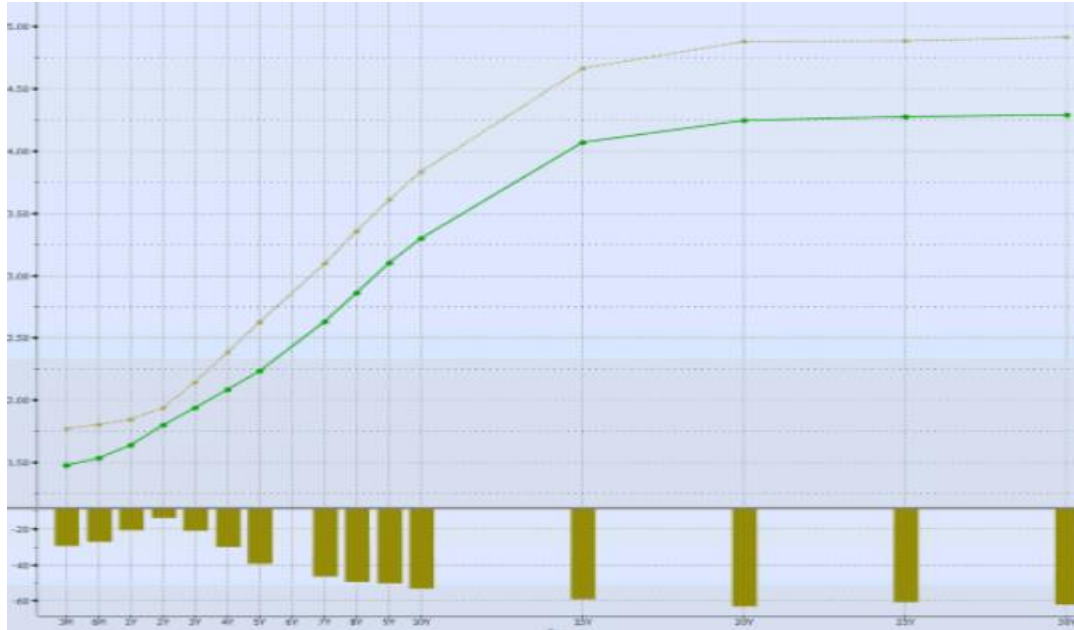
- ❑ Canadian real GDP grows 1½ % in 2016. 2017 improves to >2% as energy shock fades, a weak CAD lifts exports and cap-ex.
- ❑ Commodities: upside, but no return to glory. Gold a casualty of US Fed hikes.
- ❑ Household debt not as scary as it looks; jobs, not debt levels, are the key.
- ❑ US Fed hikes once more in December 2016. Long rate rally is overdone.
- ❑ Bank of Canada on hold, but 10-yr Canadian yields top 2% in mid-2017. Core inflation steady near 2%.
- ❑ Need to keep C\$ below 80 cents to drive exports keeps short interest rates low
- ❑ Equity market's next big leg tied to 2017 earnings.



**How does this impact  
Parkland County?**







- September 2015 Financials Yield Curve
- September 2016 Financials Yield Curve



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## PORTFOLIO PERFORMANCE (CAD)

*As of September 26, 2016*

**PARKLAND COUNTY (75003362)**

*Your Investment Advisor Todd Poland #2*

CIBC Wood Gundy

1 Year	
09/27/2015 - 09/26/2016	
<b>Starting Value</b>	<b>\$ 16,662,297.48</b>
Inflows	\$ 0.00
Outflows	\$ 0.00
Revenues	\$ 830,480.70
<b>Ending Value</b>	<b>\$ 17,371,009.52</b>
<b>Time-Weighted-Net</b>	4.253 %

Notes:

Values in percentage are annualized for periods of more than twelve months.

Account Number	Account Type	Name	Currency	Market Value (CAD)
750033621C	Cash	PARKLAND COUNTY	CAD	17,170,040.03



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## PORTFOLIO EVALUATION (CAD)

As of September 26, 2016

PARKLAND COUNTY (750033621C)

Your Investment Advisor Todd Poland #2

CIBC Wood Gundy

Last Purchase	Quantity	Description	ACB	Book Value	Market Price	Market VL	% of Total	Ann. Int./Div.	Annual Income	CCY	Current Yield	Market Yield	Maturity Cost	Market	G/L (%)	Unrealized G/L **	Total Return (%)
<b>Cash &amp; Cash Equivalents</b>																	
<b>Cash</b>																	
	403,273	ACCOUNT BALANCE CAD	1,000	403,273	1,000	403,273	2.35										
<b>Securities Expiring Within a Year</b>																	
05/21/2015	1,560,000	BMO UP DE SU 2.15% 21NV16	100,000	1,560,000	99,000	1,544,400	8.99	2.15	33,540	2.15	2.15	2.17	2.15	8.74	(1.00)	-15,600.00	1.75
<b>Total Cash &amp; Cash Equivalents</b>				<b>\$ 1,963,273</b>		<b>\$ 1,947,673</b>	<b>11.34 %</b>		<b>\$ 33,540</b>	<b>2.15 %</b>	<b>2.15 %</b>	<b>2.17 %</b>	<b>2.15 %</b>	<b>8.74 %</b>	<b>(1.00) %</b>	<b>\$ -15,600.00</b>	<b>1.75 %</b>
<b>Short-Term</b>																	
<b>Canadian Corporate Paper</b>																	
07/04/2014	2,022,000	BMO TIER 1 10 221% 31DC18	132,644	2,682,067	117,649	2,378,853	13.85	10.22	206,669	7.71	7.71	8.69	2.93	2.18	(11.31)	-303,214.73	9.32
04/01/2013	1,762,000	CIBC CAP /C 9.976% 30JUN19	136,109	2,425,464	119,635	2,131,901	12.42	9.98	177,772	7.33	7.33	8.34	3.58	2.56	(12.10)	-293,562.96	15.30
02/13/2014	1,768,000	SCOTIABAC 7.802% 30JUN19	123,780	2,213,196	113,749	2,033,836	11.85	7.80	139,500	6.30	6.30	6.86	2.98	2.61	(8.10)	-179,350.70	9.16
02/13/2014	1,452,000	TD CAP T/C 9.523% 30JUN19	131,300	1,906,476	119,586	1,721,864	10.03	9.52	138,274	7.25	7.25	8.03	3.15	2.51	(9.68)	-184,611.64	10.18
03/26/2014	750,000	CIBC CDN IDX GWTH 26MR20	100,000	750,000	102,714	770,357	4.49								2.71	20,356.50	2.71
<b>Total Canadian Corporate Paper</b>				<b>\$ 9,977,194</b>		<b>\$ 9,036,810</b>	<b>52.63 %</b>		<b>\$ 662,215</b>	<b>7.18 %</b>	<b>7.18 %</b>	<b>8.01 %</b>	<b>3.16 %</b>	<b>2.45 %</b>	<b>(9.43) %</b>	<b>\$ -940,383.53</b>	<b>10.41 %</b>
<b>Principal Protected Note</b>																	
07/02/2014	7,650,000	RBC PRIN PROT GLOB/D(355)	100,000	765,000	101,860	779,229	4.54								1.86	14,229.00	1.86
03/30/2015	8,850,867	NBC CDN MKT S1 DSC (1892)	100,000	885,067	99,840	883,651	5.15							0.04	(0.16)	-1,416.09	(0.15)
<b>Total Principal Protected Note</b>				<b>\$ 1,650,067</b>		<b>\$ 1,662,880</b>	<b>9.68 %</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>0.04 %</b>	<b>0.78 %</b>		<b>\$ 12,812.91</b>	<b>0.78 %</b>
<b>Total Short-Term</b>				<b>\$ 11,627,260</b>		<b>\$ 10,699,690</b>	<b>62.32 %</b>		<b>\$ 662,215</b>	<b>7.18 %</b>	<b>7.18 %</b>	<b>8.01 %</b>	<b>3.16 %</b>	<b>2.22 %</b>	<b>(7.98) %</b>	<b>\$ -927,570.62</b>	<b>9.04 %</b>
<b>Medium-Term</b>																	
<b>Canadian Corporate Paper</b>																	
07/29/2015	856,000	RBC FXD 2021 3.45% 29SP21	105,150	900,084	103,814	888,846	5.18	3.45	29,532	3.28	3.28	3.32	2.54	2.63	(1.27)	-11,436.16	3.62
07/29/2015	1,003,000	BNS FXD 2022 2.58% 30MR22	98,850	991,466	98,840	991,367	5.77	2.58	25,877	2.61	2.61	2.61	2.77	2.81	(0.01)	-98.29	3.88
<b>Total Canadian Corporate Paper</b>				<b>\$ 1,891,550</b>		<b>\$ 1,880,015</b>	<b>10.95 %</b>		<b>\$ 55,409</b>	<b>2.93 %</b>	<b>2.93 %</b>	<b>2.95 %</b>	<b>2.66 %</b>	<b>2.73 %</b>	<b>(0.61) %</b>	<b>\$ -11,534.45</b>	<b>3.76 %</b>
<b>Principal Protected Note</b>																	
01/19/2016	6,240,000	BMO S&P/TSX 60 CD/D(1896)	100,000	624,000	108,828	677,839	3.95								8.83	53,838.72	8.83
11/05/2015	5,037,000	BNS S&P/TSX60 IDX /D(226)	100,000	503,700	102,440	515,990	3.01								2.44	12,290.28	2.44
<b>Total Principal Protected Note</b>				<b>\$ 1,127,700</b>		<b>\$ 1,193,829</b>	<b>6.95 %</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5.86 %</b>		<b>\$ 66,129.00</b>	<b>5.86 %</b>
<b>Total Medium-Term</b>				<b>\$ 3,019,250</b>		<b>\$ 3,073,844</b>	<b>17.90 %</b>		<b>\$ 55,409</b>	<b>2.93 %</b>	<b>2.93 %</b>	<b>2.95 %</b>	<b>2.66 %</b>	<b>2.73 %</b>	<b>1.81 %</b>	<b>\$ 54,594.55</b>	<b>4.54 %</b>
<b>Long-Term</b>																	
<b>Canadian Corporate Paper</b>																	
04/27/2016	1,275,000	TDBK MT NT N 4.859% 4MR31	107,580	1,371,390	113,634	1,448,834	8.44	4.86	61,952	4.52	4.52	4.28	4.17	3.64	5.65	77,443.50	8.18
<b>Total Long-Term</b>				<b>\$ 1,371,390</b>		<b>\$ 1,448,834</b>	<b>8.44 %</b>		<b>\$ 61,952</b>	<b>4.52 %</b>	<b>4.52 %</b>	<b>4.28 %</b>	<b>4.17 %</b>	<b>3.64 %</b>	<b>5.65 %</b>	<b>\$ 77,443.50</b>	<b>8.18 %</b>
<b>Total</b>				<b>\$ 17,981,173</b>		<b>\$ 17,170,040</b>			<b>\$ 813,116</b>			<b>6.19 %</b>			<b>(4.61) %</b>	<b>\$ -811,132.57</b>	<b>7.56 %</b>



# Questions?

## **The Poland Advisory Group**

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