

QUEENSBURY GROUP OUTLOOK May 2016

With a projected federal deficit of up to \$30 billion the Canadian government is embarking upon an expansionary fiscal course. Couple this with a low interest rate monetary policy and there is the potential for much improved economic growth in Canada. Lower energy prices should benefit both manufacturers and consumers. Data on international securities transactions show that foreign investors are increasing purchases of Canadian equities. Excluding the resource sector, the difference between US and Canadian forward P/E ratios suggests the S&P/TSX is more attractively priced at this time.

Export Development Canada predicts Canada's economy is on the threshold of stronger growth thanks in part to a lower loonie. If the federal government champions a policy of getting Canadian oil and gas to tidewater, the long term economic benefits would be considerable. Recent improvement in Canadian energy stock prices suggests that investors are attaching a greater degree of probability to this event.

Bank of Canada governor Stephen Poloz recently stated that we are likely in for a new normal of interest rates. He did suggest that it would take a "shock of some significance" such as an economic setback in the U.S. or China for the central bank to consider more rate relief. Poloz was optimistic that "striking weakness" in international trade was not a sign of a looming global recession. He expressed confidence that most of the international trade slump will be reversed as the global economy recovers, albeit slowly.

For those in search of yield there are a number of high quality common stock aristocrats which have managed to increase their dividend annually for the past five years, or more. Their current yields ranging from 3% to 4% are attractive when compared to fixed income alternatives. With equities there is also the potential for capital gains in future. Specific recommendations in keeping with individual investment objectives and level of risk tolerance are available from our office of Queensbury Securities @ 905-892-2100.

Levels	Chart					
	DJIA	S&P 500	S&P TSX	Bank Prime	10 yr Bonds	Cdn \$
May 2016	17,773	2,065	13,519	2.70%	1.5%	79.69
May 2015	18,010	2,107	15,014	2.85%	1.7%	80.29
May 2014	16,535	1,873	14,583	3.00%	2.4%	91.32
May 2013	15,115	1,630	12,650	3.00%	2.2%	96.45
May 2011	12,569	1,345	13,802	3.00%	2.3%	103.20