

ECONOMIC NEWS

The Canadian stock market's excellent performance draws on renewed foreign investment

COMMENTS

With growth of 17.5%, the S&P/TSX was one of the world's top performing stock markets in 2016, a contrast with 2015's 11% retreat. Last year's excellent performance by the Canadian stock market reflects the big rebound by the major materials (+39%) and energy (+31%) sectors.

The Canadian stock market's rise was also helped by renewed foreign interest. The latest Statistics Canada data on international security transactions shows very strong purchasing by foreigners in the last few months. After dropping to almost zero in 2015, the 12-month total for net foreign purchases of Canadian shares hit \$46B in November. This is similar to the cyclical peak hit in August 2014, just before the correction by commodity prices triggered negative sentiment toward Canadian securities. The rebound of share purchases, combined with ongoing strong demand for bonds, took the 12-month total for foreign investment in Canadian securities to a new historic peak.

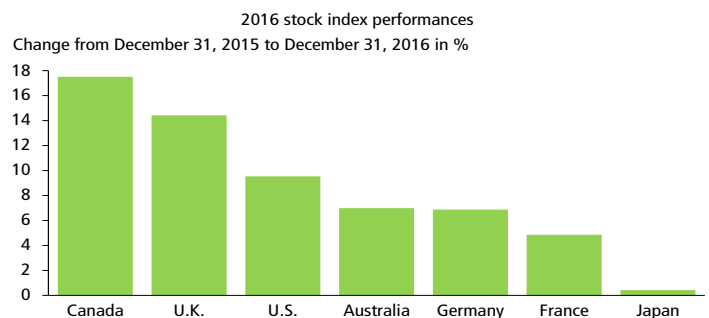
IMPLICATIONS

The record foreign purchases of Canadian securities clearly illustrates that positive sentiment toward Canadian assets is back. In addition to supporting Canada's stock market, these purchases have certainly played a role in the Canadian dollar's good performance in the last few months. As the comeback by commodity prices seems solid and the global economy should accelerate in 2017, we can hope that positive sentiment in Canadian assets will hold up in the coming quarters. The eruption of a major trade conflict with the United States is a major risk that could revive some concerns about Canada, however.

Mathieu D'Anjou, CFA, Senior Economist

GRAPH 1

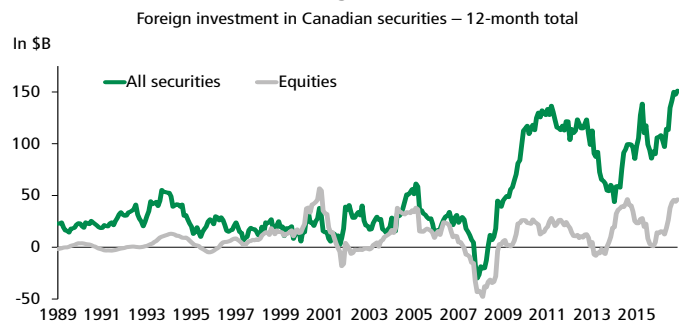
The Canadian stock market distinguished itself last year



Sources: Bloomberg and Desjardins, Economic Studies

GRAPH 2

The upswing in stock purchases took foreign investment in Canadian securities to new heights



Sources: Statistics Canada and Desjardins, Economic Studies

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Senior Economist

Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist • Jimmy Jean, Senior Economist • Hendrix Vachon, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2017, Desjardins Group. All rights reserved.