



“First prize is a Cadillac Eldorado...Second prize is a set of steak knives. Third prize is you're fired. Get the picture?” – *Glengarry Glen Ross (1992)*

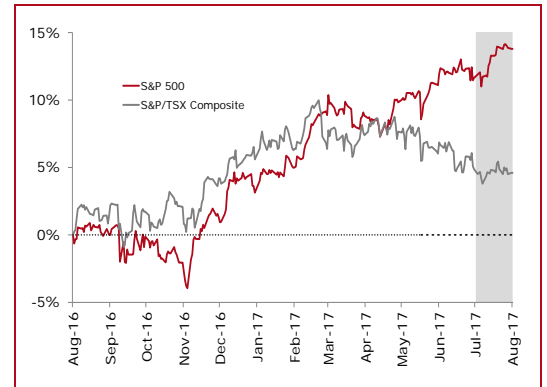
The U.S. markets headed higher once again, outperforming the S&P/TSX Composite Index (TSX), which fell for the second month in a row. Canadian equities remain down year-to-date and now lag their U.S. counterpart by nearly 10%. U.S. equities continued higher with the Nasdaq maintaining its reign as the leading North American index, up 3.4% in July. In 2017, the Nasdaq is up 17.9% while the S&P 500 Index (S&P) and Dow Jones Industrial Average have returned 10.3% and 10.8%, respectively.

West Texas Intermediate (WTI) crude oil rose throughout July from its 2017 lows popping 9%, back above US\$50/barrel towards the end of July. Despite the strength in crude oil, the TSX failed to gain its footing as the Bank of Canada (BoC) hiked its overnight interest rate for the first time in seven years. BoC Governor, Stephen Poloz also left the door open for further possible hikes later this year. The markets are now reflecting a probability of approximately 50% for an October 2017 hike. The Canadian dollar (CAD) gained traction against the U.S. dollar as sentiment regarding the ease with which President Trump will push through his pro-dollar fiscal policies has subsided. Additionally, with the U.S. Federal Reserve having already hiked rates twice in 2017, the prospects for increasingly aggressive moves have tempered. This, combined with the BoC's recent hike and the speculation for more on deck, has decreased the divergence between the central banks and has contributed to the strength in the CAD.

Gridlock in Washington continued to dominate headlines as White House press secretary Sean Spicer and White House chief of staff Reince Priebus resigned from their positions. Similarly adding to the chaos, President Trump appointed Anthony Scaramucci to be the new White House communications director only to award him the “third prize” and fire him ten days later, just before he officially took office. Furthermore, another attempt at repealing the Affordable Care Act failed in the Senate in the final days of the month. On the U.S. economic front, the U.S. Department of Commerce flashed a second-quarter GDP of 2.6%, which significantly beat the first quarter's 1.2%. While housing and inventories were a slight drag; business, consumer and defense spending improved and net trade was positive. The month also began with solid U.S. jobs numbers as the country added 222,000 jobs, significantly above the Bloomberg consensus estimate of 178,000.

The second-quarter earnings season is in full swing with 341 out of 500 companies in the S&P having reported as of July 31st; so far 78% of the companies have beaten analysts' earnings expectations. North of the border, 88 TSX companies out of 248 have reported as of July 31st, with 62% having topped consensus earnings forecasts thus far.

S&P continues to shine



Source: Bloomberg

BRAD BROWN, CFA
INVESTMENT STRATEGY GROUP

Bellwether Indices

	Price 31-July-17	Price Performance (% Change)				
		1 mo	3 mo	6 mo	12 mo	YTD
S&P/TSX COMPOSITE INDEX	15,144	-0.3	-2.8	-1.6	3.8	-0.9
S&P 500 INDEX	2,470	1.9	3.6	8.4	13.7	10.3
DOW JONES INDUS. AVG	21,891	2.5	4.5	10.2	18.8	10.8
NASDAQ COMPOSITE INDEX	6,348	3.4	5.0	13.1	23.0	17.9

Source: Bloomberg

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Canadian Yields Rise As BoC Hikes Rates

Canadian yields rose in the month of July as the Bank of Canada increased its key overnight rate for the first time in seven years. U.S. yields saw a slight rise in the short end as the middle and long end of the curve saw little movement. The Bank of Canada is now expected to move interest rates higher once more in 2017 while the U.S. Federal Reserve is now expected to hold steady, decreasing the overall divergence between the two central banks.

Canada & U.S. Yields

	Yield as of				
	31-July-17	-1 mo	-3 mo	-6 mo	-12 mo
3-month Canada T-Bills	0.73	0.71	0.52	0.46	0.53
Canada 5yr Notes	1.65	1.39	1.01	1.12	0.60
Canada 10yr Notes	2.06	1.76	1.55	1.76	1.03
Canada 30yr Bonds	2.47	2.15	2.16	2.41	1.64
US 3-month T-Bills	1.07	1.01	0.79	0.51	0.25
US 5yr Treasuries	1.84	1.89	1.81	1.91	1.02
US 10yr Treasuries	2.29	2.30	2.28	2.45	1.45
US 30yr Treasuries	2.90	2.83	2.95	3.06	2.18

Source: Bloomberg

The U.S. Dollar (USD) moved lower against the Canadian Dollar (CAD) after the Bank of Canada raised its overnight rate. This reduced the interest rate differential between the two central banks. Talk from both central banks has also indicated that the spread between the rates may narrow further in 2017. The trade-weighted U.S. dollar fell 2.9% in July.

CAD Appreciates Relative To USD

Currency Moves

	Level	Change				
	31-July-17	1 mo	3 mo	6 mo	12 mo	YTD
Canadian vs. U.S. Dollar	0.8013	3.9%	9.4%	4.4%	4.4%	7.7%
Euro vs. Canadian Dollar	1.4775	-0.3%	-0.7%	5.0%	1.4%	4.5%
Euro vs. U.S. Dollar	1.1842	3.6%	8.7%	9.7%	6.0%	12.6%
U.S. Dollar vs. Japanese Yen	110.2600	-1.9%	-1.1%	-2.3%	8.0%	-5.7%
Trade Weighted U.S. Dollar	92.8630	-2.9%	-6.2%	-6.7%	-2.8%	-9.1%

Source: Bloomberg

Crude Oil Rises

Commodities

West Texas Intermediate crude oil (WTI) and Brent crude oil prices pushed higher in July. WTI gained approximately 9%, rising back above US\$50/barrel towards the end of July. Gold prices rose as Washington gridlock continues and concerns regarding the efficacy of President Trump remain top of mind.

	Level	Price as of					YTD %
	31-July-17	-1 mo	-3 mo	-6 mo	-12 mo		
RJ CRB Commodity Index	182.64	174.78	181.73	192.04	181.01	-5.13	
Gold Spot US\$/oz	1269.44	1241.55	1268.29	1210.65	1351.00	10.17	
Silver Spot US\$/oz	16.83	16.63	17.20	17.56	20.34	5.71	
Brent Crude Oil	52.65	47.92	51.73	55.70	42.46	-7.34	
West Texas Intermediate Oil	50.17	46.04	49.33	52.81	41.60	-6.61	
NYMEX Natural gas	2.79	3.04	3.28	3.12	2.88	-24.97	
Lumber	378.30	365.90	379.80	330.00	318.40	19.49	
Copper 3-month	2.89	2.69	2.60	2.72	2.23	15.06	
Nickel 3-month	4.63	4.26	4.29	4.52	4.82	1.95	
Aluminum 3-month	0.87	0.87	0.87	0.83	0.75	13.29	
Zinc 3-month	1.27	1.25	1.19	1.30	1.02	8.50	

Source: Bloomberg

MSCI Emerging Markets Outperform Others

The majority of stock indices fell in July with the exception being the MSCI Emerging Markets Index, which returned 1.5% in the month. The S&P/TSX Composite Index was the second-best-performing index in Canadian-dollar terms as the weakness in the U.S. dollar erased any gains in U.S. equities.

Index Returns In Canadian Dollars

	Price Performance % Change				
	1 mo	3 mo	6 mo	12 mo	YTD
S&P/TSX COMPOSITE INDEX	-0.3	-2.8	-1.6	3.8	-0.9
S&P 500 INDEX	-1.9	-5.3	3.8	8.9	2.4
DOW JONES INDUS. AVG.	-1.3	-4.4	5.6	13.8	2.9
NASDAQ COMPOSITE INDEX	-0.5	-4.0	8.3	17.8	9.5
BLOOMBERG EUROPEAN 500	-0.4	-2.7	10.4	12.2	9.5
MSCI EAFE	-1.0	-3.4	7.1	9.8	6.8
MSCI WORLD	-1.5	-4.6	4.8	9.1	4.0
MSCI EMERGING MARKETS	1.5	-0.3	12.3	16.9	14.8

Source: Bloomberg, as of July 31, 2017.

Conservative Mandates Very Slightly Outperform

Mandates with a lower exposure to equities showed modestly better performance than the more equity-heavy mandates. Overall, investors did not show a substantial preference between the different mandates.

Long-Term Strategic Asset Allocation Investor Profiles (All In C\$)

(Global Equity/Cdn. Equity/Bonds/Cash)	Performance % Change				
	1 mo	3 mo	6 mo	12 mo	YTD
CAPITAL PRESERVATION (5 / 15 / 60 / 20)	-1.2	-1.8	0.7	0.1	0.7
INCOME (15 / 15 / 60 / 10)	-1.4	-2.2	1.3	1.2	1.2
INCOME & GROWTH (25 / 20 / 50 / 5)	-1.3	-2.5	1.8	2.9	1.7
GROWTH (45 / 20 / 35 / 0)	-1.4	-2.9	3.0	5.6	2.8
AGGRESSIVE GROWTH (65 / 20 / 15 / 0)	-1.3	-3.3	4.2	8.5	3.8

Source: Bloomberg and FTSE TMX Global Debt Capital Markets, as of July 31, 2017.

Canadian Equities Outperform Bonds

Canadian bonds showed some weakness in July as they failed to outperform Canadian stocks. Longer-dated Canadian bonds had the worst performance relative to short-term bonds. On a total-return basis, U.S. equities once again outpaced their Canadian equity counterpart with the S&P/TSX Composite Total Return Index falling again in the month of July.

Asset Class Returns

	Total Return % Change					Index Yield % 31-July-17
	1 mo	3 mo	6 mo	12 mo	YTD	
EQUITIES						
S&P/TSX Composite Total Return	-0.1	-2.1	-0.2	6.8	0.7	2.8
S&P 500 Total Return	2.1	4.1	9.5	16.0	11.6	2.0
BONDS						
FTSE TMX Canada Bond Universe Index	-1.9	-2.2	0.5	-2.7	0.4	
FTSE TMX Canada Long Term Index	-4.3	-3.2	2.3	-5.9	1.5	
FTSE TMX Canada Mid Term Index	-1.5	-3.0	-0.4	-2.9	-0.2	
FTSE TMX Canada Short Term Index	-0.4	-1.2	-0.4	-0.4	-0.2	

Source: Bloomberg and FTSE TMX Global Debt Capital Markets, as of July 31, 2017.

Base Metals And Energy Shine

S&P/TSX Sector Returns

	Index Weight	Price Index 31-July-17	Price Performance % Change				YTD
			1 mo	3 mo	6 mo	12 mo	
GICS Sectors							
Consumer Discretionary	5.2	2119.3	-2.8	-2.4	8.6	11.9	7.9
Consumer Staples	3.7	4456.3	-3.2	-6.8	1.9	-0.8	0.4
Energy	20.3	2280.3	2.0	-7.0	-7.8	-2.1	-13.0
- Integrated O&G	4.5	2862.6	5.7	-8.1	-8.8	0.4	-16.4
- O&G Expl. & Prod.	5.5	1540.2	2.4	-9.8	-12.7	-9.9	-20.8
- Pipeline	9.0	2462.0	0.5	-4.8	-2.3	0.9	-3.6
Financials	34.6	2602.6	-0.1	-0.1	-1.3	13.3	0.6
- Banks	23.4	3144.9	-0.6	0.2	-2.3	14.7	0.1
- Insurance	5.6	1301.2	3.8	1.9	-0.5	23.7	1.7
REITs	2.9	3036.8	-2.4	-3.8	1.4	-6.2	0.9
Health Care	0.7	350.1	-5.2	15.6	-0.5	-30.0	-3.9
Industrials	9.4	2712.1	-4.0	-0.9	5.9	14.4	6.4
Info Technology	3.3	249.3	-1.1	-2.6	7.6	9.7	7.8
Materials	11.7	2130.9	1.7	-4.8	-8.1	-13.4	0.4
- Gold	5.6	1506.0	-3.1	-8.4	-11.5	-29.1	-2.1
- Base Metals	1.0	5829.0	20.7	1.0	-10.3	23.0	8.0
- Fertilizer	1.8	4461.4	5.8	-2.9	-7.4	7.5	-7.9
Telecom Services	5.0	1482.6	1.5	-2.6	4.1	0.1	6.9
Utilities	3.3	2151.4	-2.1	-0.5	4.2	0.8	5.5
REIT Returns							
REIT Total Return		5874.3	-2.0	-2.6	4.0	-1.3	3.8

Source: Bloomberg

The rise in oil helped send the Canadian integrated oil & gas sub-sector higher. This sub-sector rose 5.7% in the month while the overall energy sector finished the month up 2.0%. The best performance in the S&P/TSX Composite came from the base metals. The TSX base metal sub-sector rose 20.7% while the health care and industrial sectors were the largest laggards.

Hang Seng, MSCI EM & India's Sensex Lead

International Indices

	Price Index 31-July-17	Price Performance % Change				YTD
		1 mo	3 mo	6 mo	12 mo	
Bloomberg Euro 500	254	-0.2	-2.1	5.1	10.5	4.7
FTSE Eurotop 100	2,900	-0.7	-2.6	3.8	9.2	2.8
England FTSE 100	7,372	0.8	2.3	3.8	9.6	3.2
German DAX	12,118	-1.7	-2.6	5.1	17.2	5.5
French CAC 40	5,094	-0.5	-3.3	7.3	14.7	4.8
MSCI World	1,961	2.3	4.4	9.4	13.9	12.0
MSCI EAFE	1,937	2.9	5.6	11.8	14.7	15.0
MSCI Emerging Mkts.	1,066	5.5	9.0	17.3	22.1	23.7
Japan Nikkei 225	19,925	-0.5	3.8	4.6	20.3	4.2
Hong Kong Hang Seng	27,324	6.1	11.0	17.0	24.8	24.2
Australia S&P/ASX 200	5,721	0.0	-3.4	1.8	2.8	1.0
Taiwan Weighted	10,427	0.3	5.6	10.4	16.1	12.7
India Sensex 30 Index	32,515	5.2	8.7	17.6	15.9	22.1

Source: Bloomberg

Hong Kong's Hang Seng Index, MSCI Emerging Markets Index and India's Sensex led all other international indices in the month of July. The Hang Seng gained 6.1%, giving it the highest year-to-date return of all the international indices within our coverage. European indices including the German DAX, the FTSE 100 and the French CAC 40 were all negative in the month.

U.S. Large Caps Outperform

Small Cap Stocks Versus Large Cap Stocks

U.S. large-cap equities outpaced not only small-cap U.S. equities but also their Canadian equivalents. The S&P 100 Index, which is an index of the 100 largest stocks in the S&P, returned 2%, followed very closely by the broader S&P 500 and the even broader Russell 1000 Index. North of the border, the S&P/TSX Venture Composite Index was the only index which remained in the green.

	Price Index 31-July-17	Price Performance % Change					YTD
		1 mo	3 mo	6 mo	12 mo		
CANADA							
S&P/TSX 60 INDEX	891.2	-0.2	-3.0	-2.0	5.2	-1.0	
S&P/TSX MIDCAP INDEX	960.3	-0.5	-2.3	-0.3	0.1	-0.8	
S&P/TSX SMALLCAP INDEX	622.7	-0.1	-4.2	-5.9	-4.1	-5.5	
S&P/TSX VENTURE COMP INDEX	770.4	0.5	-4.5	-4.6	-3.2	1.0	
U.S.							
S&P 100 INDEX	1088.9	2.0	3.2	8.4	13.2	9.8	
S&P 500 INDEX	2470.3	1.9	3.6	8.4	13.7	10.3	
RUSSELL 1000 INDEX	1368.6	1.9	3.5	8.2	13.6	10.2	
S&P 400 MIDCAP INDEX	1760.7	0.8	1.6	4.4	12.9	6.0	
S&P 600 SMALLCAP INDEX	863.6	0.9	1.4	3.5	16.1	3.1	
RUSSELL 2000 INDEX	1425.1	0.7	1.8	4.6	16.8	5.0	

Source: Bloomberg

U.S. Growth Beats Out Value While Canada Prefers Value

Style Indices

Growth mandates in the U.S. continued to outperform their value counterparts. In Canada, the opposite was true as the Dow Jones Canada Growth Index returned -3.0%, underperforming the Dow Jones Canada Value Index which saw an increase of 1.2%.

	Price Index 31-July-17	Price Performance % Change					YTD
		1 mo	3 mo	6 mo	12 mo		
GROWTH							
DJ CANADA GROWTH INDEX	1706.9	-3.0	-3.2	1.9	2.0	1.1	
S&P BARRA GROWTH INDEX	1409.1	2.5	4.7	12.0	15.0	15.2	
RUSSELL 1000 GROWTH INDX	1222.9	2.6	4.7	12.4	16.3	16.1	
S&P MID 400 BARRA GROWTH	804.1	0.7	2.1	6.6	12.3	8.7	
S&P 600 BARRA GROWTH INDX	644.1	1.2	1.8	5.0	17.1	5.2	
RUSSELL 2000 GROWTH INDX	862.3	0.8	3.2	8.7	16.8	10.4	
VALUE							
DJ CANADA VALUE INDEX	3441.2	1.2	-3.1	-2.4	4.7	-1.5	
S&P BARRA VALUE INDEX	1049.6	1.2	2.3	4.3	11.5	4.8	
RUSSELL 1000 VALUE INDX	1153.2	1.2	2.2	4.0	10.9	4.6	
S&P MID 400 BARRA VALUE	599.5	0.9	1.1	1.9	12.8	3.2	
S&P 600 BARRA VALUE INDX	568.2	0.6	1.0	1.9	14.8	0.7	
RUSSELL 2000 VALUE INDX	1782.6	0.6	0.4	0.9	16.9	0.2	

Source: Bloomberg

Long-Term Returns

Long-Term Returns (As Of 31-July-17)

	Return % Change (Compound Annual Growth Rate)						
	1 yr	2 yr	3 yr	5 yr	10 yr	15 yr	20 yr
S&P/TSX Composite (price)	3.8	2.3	-0.4	5.4	0.9	5.8	4.0
S&P/TSX Composite Total Return	6.8	5.4	2.6	8.6	3.9	8.6	6.5
S&P/TSX Income Trust Total Return	-0.9	7.5	7.3	6.4	na	na	na
Dow Jones Industrial Average	18.8	11.2	9.7	11.0	5.2	6.4	5.0
Dow Jones Industrial Avg TR	21.8	14.2	12.5	13.8	8.0	9.1	na
S&P 500	13.7	8.4	8.6	12.4	5.4	6.9	4.9
S&P 500 Total Return	16.0	10.7	10.9	14.8	7.7	9.2	na
Nasdaq Comp	23.0	11.3	13.3	16.6	9.6	10.9	7.2
FTSE 100 Index	9.6	4.9	3.1	5.5	1.5	3.9	na
German DAX	17.2	3.5	8.8	12.3	4.8	7.9	5.1
France CAC 40	14.7	0.1	6.3	9.1	-1.2	2.8	na
Japan Nikkei 225	20.3	-1.6	8.5	18.0	1.5	4.7	-0.1
MSCI World	13.9	5.4	4.6	9.4	2.3	5.9	3.5
MSCI (EMU) Europe	22.9	3.7	1.7	9.1	-2.6	4.3	na
MSCI Emerging Markets	22.1	8.7	0.0	2.3	-0.4	8.9	na
MSCI Emerging Markets Total Return	25.3	11.7	2.8	5.1	2.3	na	na
MSCI EAFE	14.7	1.5	0.1	6.1	-1.4	4.4	1.9
MSCI EAFE Total Return	18.3	4.9	3.3	9.6	1.9	na	na
MSCI Far East	12.8	3.2	3.7	7.9	-0.1	4.1	0.4

Source: Bloomberg, CIBC World Markets

Long-Term Returns In Canadian Dollars (As Of 31-July-17)

	Return % Change (Compound Annual Growth Rate)						
	1 yr	2 yr	3 yr	5 yr	10 yr	15 yr	20 yr
S&P/TSX Composite (price)	3.8	2.3	-0.4	5.4	0.9	5.7	4.0
S&P/TSX Composite Total Return	6.8	5.4	2.6	8.6	3.9	8.5	6.5
Dow Jones Industrial Average (in C\$)	13.8	8.6	14.8	15.9	6.8	4.6	4.5
Dow Jones Industrial Avg. Tot. Ret. (in C\$)	16.7	11.5	17.7	18.9	9.7	7.3	na
S&P 500 (in C\$)	8.9	5.8	13.6	17.4	7.1	5.2	4.4
S&P 500 Total Return (in C\$)	11.1	8.1	16.0	19.9	9.4	7.4	na
Russell 2000 (in C\$)	11.9	4.7	13.3	17.6	7.9	7.3	5.8
Nasdaq Comp (in C\$)	17.8	8.6	18.5	21.9	11.3	9.2	6.6
MSCI World (in C\$)	9.1	2.9	9.4	14.3	3.9	4.2	3.0
MSCI EMU Europe (in C\$)	17.8	1.3	6.4	14.0	-1.0	2.7	na
MSCI Emerging Markets (in C\$)	16.9	6.2	4.6	6.8	1.2	7.2	na
MSCI EAFE (in C\$)	9.8	-0.9	4.7	10.9	0.2	2.8	1.4
MSCI Far East (in C\$)	8.1	0.8	8.4	12.7	1.5	2.5	-0.1

Source: Bloomberg, CIBC World Markets, Canadian Dollar-based returns

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