



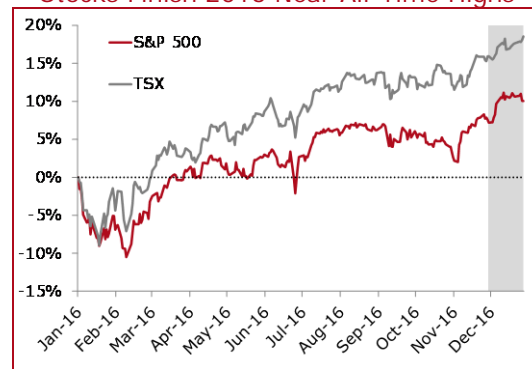
### It's The Most Wonderful Time Of The Year!

December provided investors with an additional holiday gift by extending the November "Trump/Santa Claus" rally in to the final month of 2016 as optimism for the year to come was shared by many market participants. Equity markets marched on with the Dow Jones Industrial Average leading the pack with a gain of approximately 3.3% in December. The S&P/TSX Composite Index returned 1.4% in the month, finishing 2016 with an impressive annual return of nearly 18%. Our neighbours to the south posted a strong end to the year with the S&P 500 Index gaining 1.8% in December and finished 2016 with a 9.5% gain. With solid 2016 returns in the equity markets, year-end bonuses and the eggnog flowing it comes as no surprise that many investors likely had a happy holiday!

The TSX remained in the green this month despite weakness in base metal stocks due in large part to the positive fourth quarter results from the Canadian banks which resulted in the banking sector gaining 4.3% in December. The surge in crude oil as OPEC and non-OPEC members agreed to reduce oil output mid-month also helped support Canadian equities. Stateside the markets were helped by renewed positivity and solid economic data as numerous consumer confidence numbers including the Michigan Consumer Sentiment Index and the Conference Board Consumer Confidence Index surged to levels not seen in over a decade. The ISM manufacturing index continued its recent strong upward trend from its August contractionary low of 49.4. The recently released December figure posted the highest level since early 2015 and showed strong new orders data which suggests a positive direction for business activity. The ISM non-manufacturing business activity index also reached a 13-month high in November. Other recent U.S. data such as non-farm payrolls and retail sales have been relatively modest.

The U.S. Federal Reserve (Fed) held their final meeting of 2016 on December 14<sup>th</sup>, nudging the federal funds rate higher by 25 basis point in a widely expected move. U.S. yields surged higher along with the U.S. dollar following the decision. The December move brings the target overnight lending rate to a range of 0.50%-0.75%. The U.S. central bank noted that the monetary policy stance remains accommodative, and they expect "some further strengthening in labor market conditions and a return to 2% inflation." The key takeaway for investors from the meeting was the change in the Fed's "dot plot" which shows the rate expected by Fed officials at the end of the coming years. The major change was that the expected year-end 2017 rate according to the "dot plot" is now 1.375% which suggests that the Fed officials see three 25 basis point rate hikes in 2017 versus the previously expected two hikes.

Stocks Finish 2016 Near All-Time Highs



Source: Bloomberg

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INVESTMENT STRATEGY GROUP

#### Bellwether Indices

	Price 31-Dec-16	Price Performance (% Change)				
		1 mo	3 mo	6 mo	12 mo	YTD
S&P/TSX COMPOSITE INDEX	15,288	1.4	3.8	8.7	17.5	17.5
S&P 500 INDEX	2,239	1.8	3.3	6.7	9.5	9.5
DOW JONES INDUS. AVG	19,763	3.3	7.9	10.2	13.4	13.4
NASDAQ COMPOSITE INDEX	5,383	1.1	1.3	11.2	7.5	7.5

Source: Bloomberg

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## Curves Steepen In December

U.S. & Canadian yield curves steepened in December as the U.S. Federal Reserve increased its benchmark rate by 25 basis points as was heavily expected. The one unexpected takeaway was the change in the Fed's "dot plot". The expected year-end 2017 rate according to the "dot plot" is now 1.375% which suggests that the Fed officials see three 25 basis point rate hikes in 2017.

### Canada & U.S. Yields

	Yield as of				
	31-Dec-16	-1 mo	-3 mo	-6 mo	-12 mo
3-month Canada T-Bills	0.46	0.51	0.53	0.48	0.51
Canada 5yr Notes	1.11	1.01	0.62	0.57	0.73
Canada 10yr Notes	1.72	1.59	1.00	1.06	1.39
Canada 30yr Bonds	2.31	2.17	1.66	1.72	2.15
US 3-month T-Bills	0.50	0.48	0.27	0.26	0.16
US 5yr Treasuries	1.93	1.84	1.15	1.00	1.76
US 10yr Treasuries	2.44	2.38	1.59	1.47	2.27
US 30yr Treasuries	3.07	3.03	2.32	2.28	3.02

Source: Bloomberg

## U.S. Dollar Continues To Strengthen

The U.S. Dollar gained ground against the Euro and Yen in December as the U.S. Federal Reserve increased the overnight lending rate by 25 basis points. The Canadian dollar fared better than others versus the USD, thanks in part to rising crude oil prices.

### Currency Moves

	Level	Change				
	31-Dec-16	1 mo	3 mo	6 mo	12 mo	YTD
Canadian vs. U.S. Dollar	0.7440	0.0%	-2.3%	-3.8%	3.0%	3.0%
Euro vs. Canadian Dollar	1.4142	-0.6%	-4.2%	-1.5%	-5.9%	-5.9%
Euro vs. U.S. Dollar	1.0517	-0.7%	-6.4%	-5.3%	-3.2%	-3.2%
U.S. Dollar vs. Japanese Yen	116.9600	2.2%	15.4%	13.3%	-2.7%	-2.7%
Trade Weighted U.S. Dollar	102.2100	0.7%	7.1%	6.3%	3.6%	3.6%

Source: Bloomberg

## Crude Oil Pushes Higher; Precious & Base Metals Setback

WTI and Brent crude oil pushed higher following the December 12<sup>th</sup> agreement by OPEC and non-OPEC members to reduce oil output. WTI crude oil ended the final month of the year with a gain of 8.7% and an annual return of 45% in 2016. While base metals finished off 2016 significantly in the green, they gave back some of the gains in the final month as Copper and Nickel lost 4.9% and 10.8%, respectively.

### Commodities

	Level	Price as of				
	31-Dec-16	-1 mo	-3 mo	-6 mo	-12 mo	YTD %
RJ CRB Commodity Index	192.51	189.31	186.32	192.57	176.14	9.29
Gold Spot US\$/oz	1152.27	1173.25	1315.75	1322.20	1061.42	8.56
Silver Spot US\$/oz	15.92	16.53	19.18	18.72	13.86	14.86
Brent Crude Oil	56.82	50.47	49.06	49.68	37.28	52.41
West Texas Intermediate Oil	53.72	49.44	48.24	48.33	37.04	45.03
NYMEX Natural gas	3.72	3.35	2.91	2.92	2.34	59.35
Lumber	316.60	329.80	336.40	303.90	257.60	22.90
Copper 3-month	2.51	2.64	2.21	2.20	2.13	17.65
Nickel 3-month	4.55	5.10	4.80	4.28	4.00	13.61
Aluminum 3-month	0.77	0.79	0.76	0.75	0.68	12.34
Zinc 3-month	1.17	1.23	1.08	0.95	0.73	60.10

Source: Bloomberg

## European Equities Lead In CAD Terms

### Index Returns In Canadian Dollars

European equities outpaced North American equities in Canadian dollar terms in December with the Bloomberg European 500 Index returning 4.9%. Stocks rose in part on expectations of improving global growth and fiscal stimulus.

	Price Performance % Change				
	1 mo	3 mo	6 mo	12 mo	YTD
S&P/TSX COMPOSITE INDEX	1.4	3.8	8.7	17.5	17.5
S&P 500 INDEX	1.9	5.7	10.9	6.4	6.4
DOW JONES INDUS. AVG.	3.4	10.5	14.6	10.2	10.2
NASDAQ COMPOSITE INDEX	1.1	3.8	15.6	4.4	4.4
BLOOMBERG EUROPEAN 500	4.9	0.9	7.8	-7.8	-7.8
MSCI EAFE	3.4	1.3	8.9	-4.7	-4.7
MSCI WORLD	2.3	3.9	10.2	2.3	2.3
MSCI EMERGING MARKETS	0.0	-2.3	7.5	5.5	5.5

Source: Bloomberg, as of December 31, 2016

## Aggressive Growth Leads

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

Mandates with higher exposure to equities once again outperformed bond-heavy mandates. Improving investor optimism and a shift to risk-on positions helped pushed yields higher and sent fixed-income investments lower.

(Global Equity/Cdn. Equity/Bonds/Cash)	Performance % Change				
	1 mo	3 mo	6 mo	12 mo	YTD
CAPITAL PRESERVATION (5 / 15 / 65 / 20)	0.1	-1.2	0.6	4.2	4.2
INCOME (12 / 18 / 60 / 10)	0.3	-0.8	1.6	5.0	5.0
INCOME & GROWTH (25 / 20 / 50 / 5)	0.7	0.1	3.3	5.5	5.5
GROWTH (45 / 20 / 35 / 0)	1.2	1.4	5.7	5.8	5.8
AGGRESSIVE GROWTH (65 / 20 / 15 / 0)	1.8	2.9	8.2	5.8	5.8

Source: Bloomberg and FTSE TMX Global Debt Capital Markets, as of December 31, 2016

## S&P Continues To Outperform

### Asset Class Returns

The S&P 500 Index slightly outpaced the S&P/TSX Composite Index as the post-election rally combined with the year-end "Santa Claus" rally to give U.S. equities the edge. Bonds continued to sell off as the risk-on trade maintained its momentum with increasing consumer confidence and optimism in regards to the prospects of the U.S. economy.

	Total Return % Change					Index Yield % 31-Dec-16
	1 mo	3 mo	6 mo	12 mo	YTD	
<b>EQUITIES</b>						
S&P/TSX Composite Total Return	1.7	4.5	10.2	21.1	21.1	2.8
S&P 500 Total Return	2.0	3.8	7.8	12.0	12.0	2.1
<b>BONDS</b>						
FTSE TMX Canada Bond Universe Index	-0.5	-3.4	-2.3	1.7	1.7	
FTSE TMX Canada Long Term Index	-1.3	-7.5	-5.3	2.5	2.5	
FTSE TMX Canada Mid Term Index	-0.3	-3.1	-2.2	1.6	1.6	
FTSE TMX Canada Short Term Index	0.0	-0.5	-0.1	1.0	1.0	

Source: Bloomberg and FTSE TMX Global Debt Capital Markets, as of December 31, 2016

## Banks & REITs Lead

### S&P/TSX Sector Returns

	Index Weight	Price Index 31-Dec-16	Price Performance % Change				YTD
			1 mo	3 mo	6 mo	12 mo	
<b>GICS Sectors</b>							
Consumer Discretionary	5.0	1964.3	1.6	1.0	9.4	8.2	8.2
Consumer Staples	3.8	4439.1	-0.4	-1.8	3.9	6.1	6.1
Energy	21.4	2620.5	1.1	6.2	11.9	31.2	31.2
- Integrated O&G	5.3	3423.5	1.7	16.6	19.0	18.8	18.8
- O&G Expl. & Prod.	7.2	1945.4	-1.4	5.4	14.0	52.5	52.5
- Pipeline	7.4	2553.6	1.8	-0.6	5.0	28.9	28.9
Financials	35.1	2587.0	3.2	10.6	15.9	19.3	19.3
- Banks	24.0	3140.8	4.3	11.4	18.2	24.8	24.8
- Insurance	5.6	1279.6	0.5	20.3	23.3	13.4	13.4
- REITs (old)*	2.3	1304.8	3.2	-0.8	-5.7	11.0	11.0
REITs (new)*	3.0	3010.2	3.2	-1.2	-3.9	4.1	4.1
Health Care	0.6	364.5	-5.2	-28.8	-22.6	-78.6	-78.6
Industrials	8.9	2548.1	-0.9	4.9	15.7	20.7	20.7
Info Technology	2.7	231.2	-1.2	-0.7	11.1	4.4	4.4
Materials	11.9	2123.1	-0.8	-6.5	-7.8	39.0	39.0
- Gold	5.9	1538.5	2.4	-16.5	-24.2	46.8	46.8
- Base Metals	1.0	5395.6	-15.8	15.3	35.4	128.2	128.2
- Fertilizer	1.9	4843.6	-0.6	13.7	15.6	5.6	5.6
Telecom Services	4.8	1387.1	0.6	-3.9	-2.2	9.9	9.9
Utilities	2.8	2039.5	2.7	-1.5	-1.8	12.7	12.7
<b>REIT Returns</b>							
REIT Total Return Index (old)**		405.2	3.7	0.6	-3.0	17.6	17.6
REIT Total Return Index (new)**		5657.3	3.7	0.1	-1.4	9.1	9.1

Source: Bloomberg

\*Going forward the S&P/TSX Composite Real Estate Investment Trust Industry Index GICS level 3 – listed above as REITs (old) will be replaced by the S&P/TSX Composite Index Real Estate – listed above as REITs (new).

\*\*Going forward the S&P/TSX Capped REIT Total Return Index – listed above as REIT Total Return Index (old) will be replaced by the S&P/TSX Composite Index Real Estate GICS Sector Total Return – listed above as REIT Total Return Index (new).

The financial sector helped the TSX rally in the last month of 2016, rising 3.2%. The financial rally was supported by strong results from the Canadian banks in the beginning of December. This strength offset the weakness seen in base metal stocks, which edged lower in the final month of 2016.

## European Equities Outperform

### International Indices

	Price Index 31-Dec-16	Price Performance % Change				YTD
		1 mo	3 mo	6 mo	12 mo	
Bloomberg Euro 500	242	5.6	5.3	9.5	-2.0	-2.0
FTSE Eurotop 100	2,822	6.2	6.4	9.2	-0.9	-0.9
England FTSE 100	7,143	5.3	3.5	9.8	14.4	14.4
German DAX	11,481	7.9	9.2	18.6	6.9	6.9
French CAC 40	4,862	6.2	9.3	14.7	4.9	4.9
MSCI World	1,751	2.3	1.5	5.9	5.3	5.3
MSCI EAFE	1,684	3.3	-1.0	4.7	-1.9	-1.9
MSCI Emerging Mkts.	862	-0.1	-4.6	3.4	8.6	8.6
Japan Nikkei 225	19,114	4.4	16.2	22.7	0.4	0.4
Hong Kong Hang Seng	22,001	-3.5	-5.6	5.8	0.4	0.4
Australia S&P/ASX 200	5,666	4.1	4.2	8.3	7.0	7.0
Taiwan Weighted	9,254	0.1	0.9	6.8	11.0	11.0
India Sensex 30 Index	26,626	-0.1	-4.4	-1.4	1.9	1.9

Source: Bloomberg

European equities finished the month of December higher outpacing the other international indices. The German DAX led the charge returning a strong 7.9% in the final month of 2016. The MSCI Emerging Markets Index was modestly lower as the member countries have to contend with the prospects of revised trade deals and possible tariffs under the incoming Trump administration along with a strong U.S. dollar.

## Canadian Small Cap Stocks Lead

### Small Cap Stocks Versus Large Cap Stocks

The S&P/TSX Small Cap Index led all other Canadian and U.S. market cap size indices in December. The S&P/TSX Venture Composite Index was a close second returning 3.4%, only 0.2% less than the Small Cap Index.

	Price Index	Price Performance % Change				
	31-Dec-16	1 mo	3 mo	6 mo	12 mo	YTD
<b>CANADA</b>						
S&P/TSX 60 INDEX	900.1	1.3	4.8	10.1	17.7	17.7
S&P/TSX MIDCAP INDEX	967.7	1.4	0.8	4.7	17.1	17.1
S&P/TSX SMALLCAP INDEX	658.7	3.6	2.5	6.9	35.2	35.2
S&P/TSX VENTURE COMP INDEX	762.4	3.4	-4.7	4.4	45.0	45.0
<b>U.S.</b>						
S&P 100 INDEX	991.4	2.3	3.4	6.8	8.8	8.8
S&P 500 INDEX	2238.8	1.8	3.3	6.7	9.5	9.5
RUSSELL 1000 INDEX	1241.7	1.7	3.3	6.9	9.7	9.7
S&P 400 MIDCAP INDEX	1660.6	2.0	7.0	11.0	18.7	18.7
S&P 600 SMALLCAP INDEX	838.0	3.2	10.7	18.3	24.7	24.7
RUSSELL 2000 INDEX	1357.1	2.6	8.4	17.8	19.5	19.5

Source: Bloomberg

## Value Beats Out Growth In Canada

### Style Indices

Canadian Value mandates outperformed growth in December. In the U.S. the picture was a little bit more mixed as style preferences where characterized by market cap sizes. Value outperformed growth for large-cap and small-cap mandates but lagged growth in the mid-cap space.

	Price Index	Price Performance % Change				
	31-Dec-16	1 mo	3 mo	6 mo	12 mo	YTD
<b>GROWTH</b>						
DJ CANADA GROWTH INDEX	1687.6	0.7	-1.2	6.5	5.5	5.5
S&P BARRA GROWTH INDEX	1223.0	1.3	0.0	4.4	5.1	5.1
RUSSELL 1000 GROWTH INDX	1053.5	1.1	0.6	4.8	5.3	5.3
S&P MID 400 BARRA GROWTH	740.0	2.2	4.3	7.9	13.3	13.3
S&P 600 BARRA GROWTH INDX	612.1	3.4	9.3	16.8	20.7	20.7
RUSSELL 2000 GROWTH INDX	780.7	1.3	3.3	12.6	10.4	10.4
<b>VALUE</b>						
DJ CANADA VALUE INDEX	3494.5	1.3	5.3	9.0	21.2	21.2
S&P BARRA VALUE INDEX	1001.1	2.4	6.6	9.1	14.3	14.3
RUSSELL 1000 VALUE INDX	1102.5	2.3	6.0	9.0	14.3	14.3
S&P MID 400 BARRA VALUE	581.0	1.8	9.3	13.7	24.0	24.0
S&P 600 BARRA VALUE INDX	564.0	3.0	12.1	19.7	29.1	29.1
RUSSELL 2000 VALUE INDX	1779.9	3.9	13.5	22.9	28.9	28.9

Source: Bloomberg

## Long-Term Returns

### Long-Term Returns (As Of 31-Dec-16)

	Return % Change (Annualized)							
	1 yr	2 yr	3 yr	5 yr	10 yr	15 yr	20 yr	
S&P/TSX Composite (price)	17.5	2.2	3.9	5.0	1.7	4.7	4.9	
S&P/TSX Composite Total Return	21.1	5.4	7.1	8.2	4.7	7.4	7.3	
S&P/TSX Income Trust Total Return	15.1	7.5	9.4	8.4	na	na	na	
Dow Jones Industrial Average	13.4	5.3	6.0	10.1	4.7	4.6	5.8	
Dow Jones Industrial Avg TR	16.5	8.0	8.7	12.9	7.5	7.2	na	
S&P 500	9.5	4.3	6.6	12.2	4.7	4.5	5.7	
S&P 500 Total Return	12.0	6.5	8.9	14.7	6.9	6.6	na	
Nasdaq Comp	7.5	6.6	8.8	15.6	8.3	6.9	7.4	
FTSE 100 Index	14.4	4.3	1.9	5.1	1.4	2.1	na	
German DAX	6.9	8.2	6.3	14.2	5.7	5.5	7.1	
France CAC 40	4.9	6.7	4.2	9.0	-1.3	0.3	na	
Japan Nikkei 225	0.4	4.7	5.5	17.7	1.0	4.0	-0.1	
MSCI World	5.3	1.2	1.8	8.2	1.7	3.8	3.9	
MSCI (EMU) Europe	-1.2	-2.3	-5.0	4.8	-3.4	1.7	na	
MSCI Emerging Markets	8.6	-5.0	-4.9	-1.2	-0.6	6.9	na	
MSCI Emerging Markets Total Return	7.9	-2.1	-1.4	3.0	1.9	na	na	
MSCI EAFE	-1.9	-2.6	-4.2	3.6	-2.1	2.6	1.8	
MSCI EAFE Total Return	1.5	0.6	-1.2	7.0	1.2	na	na	
MSCI Far East	0.1	2.4	0.0	5.7	-1.0	3.3	-0.1	

Source: Bloomberg, CIBC World Markets

### Long-Term Returns In Canadian Dollars (As Of 31-Dec-16)

	Return % Change (Annualized)							
	1 yr	2 yr	3 yr	5 yr	10 yr	15 yr	20 yr	
S&P/TSX Composite (price)	17.5	2.2	3.9	5.0	1.7	4.7	4.9	
S&P/TSX Composite Total Return	21.1	5.4	7.1	8.2	4.7	7.4	7.3	
Dow Jones Industrial Average (in C\$)	10.2	13.2	14.7	16.3	6.2	3.5	5.7	
Dow Jones Industrial Avg. Tot. Ret. (in C\$)	13.1	16.2	17.6	19.3	9.1	6.1	na	
S&P 500 (in C\$)	6.4	12.1	15.3	18.6	6.2	3.4	5.6	
S&P 500 Total Return (in C\$)	8.7	14.6	17.8	21.1	8.5	5.5	na	
Russell 2000 (in C\$)	16.0	14.1	13.8	19.2	7.1	5.8	6.7	
Nasdaq Comp (in C\$)	4.4	14.7	17.7	22.2	9.9	5.8	7.3	
MSCI World (in C\$)	2.3	8.8	10.1	14.3	3.1	2.6	3.8	
MSCI EMU Europe (in C\$)	-4.0	5.1	2.8	10.7	-2.0	0.5	na	
MSCI Emerging Markets (in C\$)	5.5	2.1	2.9	4.4	0.9	5.7	na	
MSCI EAFE (in C\$)	-4.7	4.8	3.6	9.4	-0.7	1.4	1.7	
MSCI Far East (in C\$)	-2.7	10.1	8.2	11.7	0.4	2.1	-0.2	

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

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