Weekly Updates Issue # 599

1. Weekly Markets Changes

[January 27, 2017]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,575.81 +27.93 +0.18%	2,294.69 +23.38 +1.03%	20,093.78 +266.5 +1.34%	5,660.78 +105.4 +1.90%	$0.7604 +1.03¢ +1.37%	$1,191.00 -19.20 -1.59%	$53.20 +0.04 +0.08%

2. Filing taxes after someone has died

[January 27, 2017] When someone dies, here's what CRA requires:
Tell CRA about the deceased's date of death as soon as possible. Call 1-800-959-8281 or fill out the form on the back of RC4111, What to Do Following a Death (send the form to a tax services office or tax centre).
If the deceased was receiving any of the benefit and credit payments listed below, contact the CRA as soon as possible to stop the payments and, if applicable, transfer them to a survivor:
goods and services tax/harmonized sales tax (GST/HST) credit
working income tax benefit advance payments
Canada child benefit
Tell Service Canada the deceased's date of death by contacting a Service Canada office or call 1-800-622-6232.

Other important facts

People must file a final return after a family member's death. On the deceased's final return, the legal representative of the deceased must report all of the deceased's income from January 1 of the year of his or her death, up to and including the date of death, and claim all credits and deductions that the person is entitled to.
Income earned after the date of death may have to be reported on a T3 Trust Income Tax and Information Return. For more information on how to

complete the deceased's final return, see tax guide T4011, Preparing Returns for Deceased Persons.
The legal representative of the deceased is required to file any tax returns for the years that the person did not file before he or she died.
If an individual who pays tax by instalments dies during the year, instalment payments due on or after the date of death do not have to be paid.
The due date for the final return depends on the deceased's date of death. For more information, refer to RC4111, What to Do Following a Death or tax guide T4011, Preparing Returns for Deceased Persons.

3. Beware rising housing prices: CMHC

[January 26, 2017] Canada's federal housing agency says strong evidence of problematic conditions continues to exist in the national housing market.
Canada Mortgage and Housing Corporation (CMHC) says the most prevalent issues it has observed in the 15 markets it monitors are overbuilding and overvaluation, which occurs when house prices outpace economic fundamentals such as income and population growth.
CMHC first raised its overall risk rating for the national housing market to strong last October.
It said there is strong evidence of problematic conditions in Vancouver, Victoria, Saskatoon, Regina, Toronto and Hamilton.
Edmonton, Calgary, Winnipeg, Montreal and Quebec City show moderate evidence of such conditions, the agency said.
CMHC's housing market assessment is intended to be an early warning system to alert Canadians about problematic conditions developing in the country's real estate markets.
"Price acceleration in Vancouver, Victoria, Toronto and Hamilton indicates that home price growth may be driven by speculation as it is outpacing what economic fundamentals like migration, employment and income can support," CMHC's chief economist Bob Dugan said in a news release.
"For this reason, homebuyers should ensure that their purchases are aligned with their needs as well as the long-term market outlook."

4. Ikea buying second Alberta wind farm for $119.6 million

[January 26, 2017] Ikea Canada has signed a deal to buy an Alberta wind farm from TransAlta and Teck Resources for a total of $119.6 million.
TransAlta said Thursday it will receive about $61 million for its 51% interest in the 88-megawatt Wintering Hills wind farm near Drumheller, Alta.

Teck said separately that it will receive $58.6 million for its 49% stake.
Ikea said the 55 turbines at Wintering Hills generate enough electricity to power 54 Ikea stores or nearly 26,000 Canadian households.
It is the second Canadian wind farm for the furniture retailer which has 12 stores across the country. It already has a 46-megawatt wind farm in Pincher Creek, Alta., that it acquired in 2013.
Together, the two wind farms can produce more than four times the energy consumed by Ikea's Canadian operations.
The global furniture and furnishings company has set a goal of generating more renewable energy than it uses by 2020.

5. Dow breaches 20,000 for first time

[January 25, 2017] The Dow Jones industrial average is trading over 20,000 points for the first time, the latest milestone in a record-setting drive for the stock market.
The market has been marching steadily higher since bottoming out in March 2009 in the aftermath of the financial crisis. The rally continued after the election of Donald Trump as U.S. president last fall.
The Dow was up 102 points, or 0.56 per cent, to 20,018 on Wednesday morning.
The Nasdaq rose 48 points, or 0.9 per cent, to 5,600. The Standard & Poor's 500 index rose 10 points, or 0.5 per cent, to 2,290.
Bond prices fell. The yield on the 10-year Treasury note rose to 2.51 per cent.

6. Trump signs orders advancing Keystone, Dakota pipelines

[January 24, 2017] President Donald Trump moved to advance construction of the Keystone XL and Dakota Access oil pipelines Tuesday; a pair of projects that were blocked by the Obama administration due in part to environmental concerns.
Both orders are subject to renegotiations of the agreements.
Trump also signed a notice requiring the materials for the pipelines to be constructed in the United States, though it was unclear how he planned to enforce the measure.
"From now we are going to start making pipelines in the United States," Trump said from the Oval Office.
Looking ahead, Trump announced that he planned to nominate a justice for the Supreme Court next week, moving swiftly to try to fill the seat left vacant by the death of Justice Antonin Scalia. The president was summoning top

senators to the White House later Tuesday to discuss his upcoming nomination.

Trump has sought to focus his first full week in office on jobs and the economy. Republicans, as well as some unions, have cited the pipeline projects as prime opportunities for job growth.

Former president Barack Obama stopped the proposed Keystone XL pipeline in late 2015, declaring it would have undercut U.S. efforts to clinch a global climate change deal that was a centerpiece of his environmental legacy.

The pipeline would run from Canada to Nebraska where it would connect to existing lines running to U.S. refineries on the Gulf Coast. The U.S. government needs to approve the pipeline because it would cross the nation's northern border.

Separately, late last year, the Army Corps of Engineers declined to allow construction of the Dakota Access pipeline under Lake Oahe, saying alternative routes needed to be considered. The Standing Rock Sioux tribe and its supporters say the project threatens drinking water and Native American sites, though Energy Transfer Partners, the company that wants to build the pipeline, disputes that and says the pipeline will be safe.

The pipeline is to carry North Dakota oil through South Dakota and Iowa to a shipping point in Illinois.

Looking ahead

On Tuesday, Trump summoned the heads of the big three American automakers, General Motors, Ford Motor Co. and Fiat Chrysler, for a breakfast meeting at the White House. He pledged to scrap regulations and reduce taxes on corporations that keep jobs in the U.S., though he did not specify his plans for either.

His administration, he said, will "go down as one of the friendliest countries" for business.

Trump's actions signal a reset after a tumultuous weekend dominated by his and his spokesman's false statements about inauguration crowds and their vigorous complaints about media coverage of the celebrations.

In addition to his executive action on TPP, Trump signed memorandums freezing most federal government hiring, though he noted an exception for the military, and reinstating a ban on providing federal money to international groups that perform abortions or provide information on the option. The regulation, known as the "Mexico City Policy," has been a political volleyball–instituted by Republican administrations and rescinded by Democratic ones since 1984.

The actions were among the long list of steps candidate Trump pledged to take on his opening day as president. But other "Day One" promises are going unfulfilled, including plans to propose a constitutional amendment imposing term limits on members of Congress and terminating Obama's executive actions deferring deportations for some people living in the U.S. illegally.

7. Can the TPP survive without the U.S.?

[January 24, 2017] U.S. President Donald Trump's decision to pull out of the Trans-Pacific Partnership, as promised, is prompting other member countries to seek ways to salvage the trade pact.

Leaders of some of the 11 other nations involved in the initiative said they hope to push ahead with the agreement in some form, with or without the U.S.

Australian Prime Minister Malcolm Turnbull said Tuesday he had discussed the pact's future recently with the prime ministers of Japan, Singapore and New Zealand, all TPP members, and believed the pact could survive without the U.S.

"Losing the United States from the TPP is a big loss; there is no question about that," Turnbull told reporters. "But we are not about to walk away from our commitment to Australian jobs."

Trump says he favours one-on-one agreements with other nations rather than multinational pacts like the TPP, which would have included markets comprising 40% of world GDP and was eventually meant to be the foundation for a wider pan-Pacific trading bloc.

As expected, on Monday the new president officially abandoned the trade deal in one of his first acts after taking office.

Advocates of the TPP said it would set a "gold standard" for modern trade rules, with stringent requirements for intellectual property, labour and environmental protections. A key goal was to lead in shaping trade rules for this century, and also to counter the growing influence of China, which is not part of the pact.

Critics said the TPP would put corporate interests ahead of public and national sovereign interests.

The U.S. about-face on the deal is a setback for leaders of other TPP countries who invested political capital in fighting to get it ratified.

That includes Japanese Prime Minister Shinzo Abe, who told lawmakers during parliamentary debate that he hoped to gain Trump's "understanding" on the TPP's importance. Abe has said he hopes to meet with Trump as soon as possible.

Japan completed the TPP ratification process last week, well aware Trump planned to drop out. Abe said its goals were still important for Japan and the

TPP could be a model for trade deals with other nations, including those in Europe.

The remaining 11 TPP members will meet to discuss the next steps, said Malaysian Second Trade Minister Ong Ka Chuan.

“Twelve countries signed the (TPP), but now one wants out. The other 11 can continue by making change to the clauses. There are many possibilities that these 11 countries can still proceed with,” the Bernama news agency quoted him as saying. He didn’t elaborate.

Other TPP members are Canada, Mexico, Chile, Peru, Vietnam and Brunei.

Turnbull said that in theory China could join the pact following the U.S. departure. But that would require a revamp of the deal. In its current form, the TPP can only take effect after it is ratified by six countries that account for 85% of its members’ combined gross domestic product. The U.S. made up 60% of the TPP’s combined GDP, so it could not be implemented as it stands now.

Though he didn’t suggest Trump himself would reverse his position, Turnbull did say the U.S. eventually might.

“You have to recognize that his secretary of state, Rex Tillerson, has been a longtime advocate for it,” Turnbull said, referring to Trump’s nominee. “The Republican Party in the Congress have been strong supporters of the TPP. It is possible that U.S. policy could change over time on this, as it has done on other trade deals.”

Whatever the deal’s fate, the region shows no sign of retreating from the market-opening trend that helped transform its many developing nations into a relatively stable zone of affluent, middle-income economies.

New Zealand Prime Minister Bill English said he agrees with his predecessor John Key’s view that the U.S. risks ceding some influence to China in the Pacific without the TPP.

English showed little enthusiasm for the sort of “one-on-one” bilateral trade deal with the U.S. that Trump said he prefers.

“If you ask me today, I’d say there’s a pretty low chance of that happening in a form that we’d find satisfactory,” English told reporters in Wellington. “But we wouldn’t want to rule it out, any more than we’d want to rule out other versions of progress on free trade, with TPP or not.”

Although losing the U.S. as part of the TPP means losing nearly two-thirds of its market, English said the initiative was still advantageous for New Zealand and therefore worth pursuing.

Vietnam was expected to be one of the main beneficiaries of the TPP, and the collapse of the pact could be a blow to the economy of the Communist country, which is heavily driven by exports and foreign direct investment.

Le Dang Doanh, a senior Vietnamese economist and former government economic adviser, said the U.S. could also be hurt by its decision to drop out. "Vietnam's main export items to the U.S. include catfish, shrimp, garments, shoes and wooden products," Doanh said. "Without TPP, American consumers will have to pay more for these products."

Trump's threats to impose tariffs of up to 45% on some imports are a big worry for most Asian countries, given the region's heavy reliance on exports. The U.S. is the largest single market for China and Japan, and indirectly a huge source of demand for many of the commodities and goods produced across the region.

"All of us are working to see how we can ensure we maintain this momentum toward open markets and free trade," Turnbull said. "Believe me, protectionism is not a ladder to get you out of the low growth trap. It is a shovel to dig it deeper."

Canada's view

Prime Minister Justin Trudeau need not be "enormously worried" about a looming overhaul in U.S. trade policy under Donald Trump, an adviser to the new administration said Monday. The Liberal government held a cabinet retreat aimed at finding its bearings in the shifting Canada-U.S. relationship, reports Lauren Krugel of The Canadian Press.

Stephen Schwarzman, who leads the president's Strategic and Policy Forum, said Canada is well regarded and will be in a good position should there be a renegotiation of the North American Free Trade Agreement.

"There may be some modifications, but basically things should go well for Canada in terms of any discussions with the United States," said Schwarzman, whom Foreign Affairs Minister Chrystia Freeland has described as a "longtime good friend."

Schwarzman, who's CEO of the Blackstone Group investment firm, met privately with Trudeau and with ministers as part of the two-day retreat in Calgary. He says the Trump administration is more concerned with agreements in which there are big trade imbalances, which is not the situation with Canada.

International Trade Minister Francois-Philippe Champagne said it was good to have someone at the "top of the pyramid" hear from ministers. "I think we have someone who has a very deep understanding of the relationship between the United States and Canada," he said after the daylong meeting.

The Trudeau government is looking to mitigate the risks of the unpredictable new U.S. administration, from promoting the well-connected Freeland from her previous International Trade post to rethinking its approach to trade.

David MacNaughton, Canada’s ambassador to the United States, has suggested bilateral agreements outside of NAFTA are a possibility as Canada tries to avoid suffering economic harm through a potential border tax or unfavourable trade agreement changes.

It is vital to have a good economic relationship with the U.S., he said. And while some matters may be dealt with inside the controversial Canada-U.S.-Mexico agreement, which Trump has promised to revisit, others may be better handled outside it.

On Monday, White House spokesman Sean Spicer suggested Trump will meet with both Trudeau and Mexican President Enrique Pena Nieto in the next month or so to talk about how best to proceed on renegotiations.

Blowing up the agreement might not necessarily have to happen, he hinted.

“Now, if they come in and express a willingness to [renegotiate], you could negotiate it within the current parameters and update it through the existing structure,” Spicer said during his first official media briefing as press secretary.

“If they don’t and he decides to pull out, then we will have to go back to the drawing table in the future.”

The danger, MacNaughton warned, is that Canada becomes “collateral damage” as Washington takes aim at what it sees as predatory trading partners.

Freeland said Canada has a strong relationship with Mexico and is happy to be part of NAFTA, but noted its dealings with the United States are mostly bilateral.

Trump’s policies are expected to have an impact on a host of cabinet portfolios, but ministers did their level most to project a business-as-usual signal on their way into Monday’s meeting–notably Finance Minister Bill Morneau, whose federal budget is expected next month.

“The necessity for us to work together in a collegial fashion with the United States is no different today than it was last year or will be next year,” Morneau said.

Renegotiating NAFTA offers a chance to address its flaws, said Canadian Labour Congress President Hassan Yussuff, who takes particular issue with a chapter that allows investors the ability to sue foreign governments.

The group is meeting with other unions Tuesday in Ottawa to gird for the coming talks.

“We’re optimistic that something positive can come out of this,” Yussuff said. “But […] we are dealing with a president who is quite erratic and we are not sure exactly what it is that he wants to do.”

8. Wholesale sales gained 0.2% in November: StatsCan

[January 23, 2017] Wholesale sales gained 0.2% in November to total $56.9 billion.

Statistics Canada says it was the second consecutive monthly increase.

However, economists had expected a gain of 0.5% for the month, according to Thomson Reuters.

Sales rose in four of the seven subsectors in November, as the miscellaneous subsector posted the largest gain in dollar terms — up 7.2% to $7.4 billion. The subsector includes agricultural supplies; chemicals and allied products; and paper, paper products and disposable plastic products.

The other three gaining subsectors were building materials and supplies (up 3.8%), machinery equipment and supplies (up 0.4%) and farm products (up 6.1%).

Sales in the motor vehicle and parts subsector fell 5.8% to $10.5 billion, the second decrease in eight months.

9. China's growth sank to three-decade low in 2016

[January 23, 2017] China's economic growth sank to a three-decade low in 2016, as its struggling exporters braced for a possible trade battle with U.S. president Donald Trump.

Growth in the quarter ending in December ticked up to 6.8% over 2015, supported by government spending and a real estate boom–a gain from the previous quarter's 6.7%, government data showed Friday. Still, for the full year, growth came in at a lacklustre 6.7%, down from 6.9% in 2015 and the weakest since 1990's 3.9%.

That temporary upturn is unlikely to last, economists said.

"We expect clearer signs of a renewed slowdown to emerge during the next couple of quarters," said Julian Evans-Pritchard of Capital Economics in a report.

Trump's promise to raise tariffs on Chinese goods after he takes office Friday has fueled tension with Chinese leaders who are trying to keep growth on track while they overhaul a state-dominated economy.

Beijing wants to nurture more self-sustaining growth based on domestic consumption but trade still supports millions of jobs. Exports fell 7.7% last year and more losses could lead to a politically dangerous spike in layoffs.

In a rebuke to Trump, President Xi Jinping warned in a speech this week a "trade war" would harm everyone involved. The American Chamber of Commerce in China said Beijing is preparing to retaliate if Trump acts.

“I am hopeful that after his election, President Trump will consider the issue from the angle of mutual benefit and win-win and will develop the long-term, co-operative ‘big country’ relations that have been formed between China and the United States,” a member of the Cabinet’s planning commission, Ning Jizhe, told a news conference.

Asked about the potential impact of action by Trump, Ning said China should maintain “medium to high-speed growth.”

Chinese leaders already face warnings that their reliance on infusions of credit to shore up growth since the 2008 global crisis has driven debt to dangerously high levels that might drag on the economy.

Beijing has warned the economic outlook is “L-shaped,” meaning once the downturn ends, growth is unlikely to rebound.

Also weighing on growth, Chinese leaders are in the midst of a multi-year effort to reduce excess production capacity in steel, coal and other industries in which supply exceeds demand. The glut of low-cost Chinese exports of steel and aluminum have fueled trade tensions with Washington and Europe, which say they are threatening thousands of jobs.

Auto sales also are forecast to weaken. Sales in the world’s biggest auto market rose 15% last year but that was supported by a tax cut that expired Dec. 31. Analysts expect this year’s growth to slow to mid-single digits.

Looking at quarter-on-quarter growth, the way other major economies report data, the economy cooled steadily over the course of the year despite the headline figure showing steady expansion. Growth fell to 1.7% in the last quarter, down from 1.8% in July-September and 1.9% in the previous quarter.

Chinese leaders say they will make the economy more productive by giving private companies a bigger role, but last year’s performance still relied on spending by the government and state-owned industry.

Investment by government companies in factories and other fixed assets rose 18.7% last year over 2015, according to the National Bureau of Statistics. Investment by private companies was far weaker, growing 3.2%.

Real estate sales are booming, which has pushed up growth figures. But regulators are taking steps to cool surging housing prices and bank lending.

Retail sales growth decelerated to 9.6% from 10.6% in 2015. E-commerce, one of the brightest spots in the struggling economy, soared 26.2% over 2015, but that was down from the previous year’s 33.3% expansion.

Real estate sales that soared 22% in 2016 by volume also are forecast to cool. Growth of investment in real estate might slow to 1% from last year’s 6.6%, said Haibin Zhu of JP Morgan in a report.

This week, the International Monetary Fund raised its China growth forecast for this year by 0.3 percentage points to 6.5%, citing a boost from government stimulus. But it warned rising debt increases the risk of a sharper slowdown.
Total debt has risen by the equivalent of 130 percentage points of annual economic output since the 2008 global crisis, “a pace that has alarmed policy makers and many investors,” UBS economists said in a report.
Still, action on debt is unlikely until after the ruling Communist Party wraps up a twice-a-decade change of senior officials late this year, Tom Rafferty of the Economist Intelligence Unit said in a report.
“It will probably not be until 2018, when politics are more favourably aligned, that we begin to see a more radical approach in this area,” he said.

Have a nice and fruitful week!