600 - Bringing The Economic News to You in Condensed Form Every Saturday for 12 Straight Years!

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1. Weekly Markets Changes

[February 3, 2017]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,476.39 -99.42 -0.64%	2,297.42 +2.73 +0.12%	20,071.46 -22.32 -0.11%	5,666.77 +5.98 +0.11%	$0.7604 +0.72¢ +0.95%	$1,221.60 +27.90 +2.34%	$53.85 +0.65 +1.22%

2. Trump begins dismantling Obama financial regulations

[February 3, 2017] With the stroke of a pen, President Trump has begun the push to dismantle the sweeping Dodd-Frank reform of Wall Street.

Trump signed an executive order on Friday that sets the stage for rewriting U.S. financial regulation in an effort to encourage more lending to American businesses.

While no immediate changes were made, Trump ordered the heads of regulatory agencies to report back to him within 120 days with suggestions to change existing financial regulation.

Trump identified seven key principles that would guide regulators, including that it must be "efficient, effective, and appropriately tailored" and "foster economic growth."

The new president has promised to "do a big number" on Dodd-Frank, a law that he has called a "disaster." Dodd-Frank was enacted in 2010 to safeguard against another financial meltdown of Wall Street.

Friday's executive order hinted at easing the burden of regulation on banks by more closely assessing the impact of existing regulation and keeping American companies "competitive" with foreign rivals.

Trump's order stressed that regulation should be intended to prevent taxpayer-funded bailouts.

The White House also signaled a possible shake-up of the structure of financial regulators, especially the Consumer Financial Protection Bureau. Trump wrote that regulation must "restore public accountability," a backhand reference the CFPB, which some Republicans have painted as a rogue regulator that lacks oversight.

Earlier on Friday, Sean Spicer, the White House press secretary, echoed these sentiments by saying Dodd-Frank created an "unaccountable and unconstitutional new agency that does not adequately protect consumers."

The executive order came after Trump met with a team of all-star CEOs on his advisory council, that includes Jamie Dimon, the CEO of JPMorgan.

"There's nobody better to tell me about Dodd-Frank than Jamie," Trump said on Friday.

Another big name on Wall Street, former Goldman Sachs president Gary Cohn, served as the face of the administration's Dodd-Frank efforts on Friday. Cohn, tapped to be Trump's top economic adviser, gave interviews on television and in newspapers to explain how burdensome regulations are holding back growth.

"We're going to attack all aspects of Dodd-Frank," Cohn told Bloomberg. "We want banks to be back in the lending business."

Earlier on Friday, Senator Elizabeth Warren called on Cohn to recuse himself from matters directly or indirectly related to Goldman Sachs due to the $285 million he left the Wall Street firm with.

Investors are already cheering the deregulatory efforts. The Dow soared 186 points on Friday, its best day of 2017, as big bank stocks like Goldman Sachs, JPMorgan Chase and Wells Fargo soared.

But talk about gutting Dodd-Frank is raising alarm in other corners.

"It makes me nervous. Hopefully we won't have another 2008, but tearing up the rules of the road is not a good start," Austan Goolsbee, an economics professor at the University of Chicago who was a top economic adviser to former President Obama, told CNN.

"The administration apparently plans to turn over financial regulation to Wall Street titan Goldman Sachs," Lisa Donner, executive director of Americans for Financial Reform, a non-profit coalition pushing for Wall Street accountability, said in a statement.

Michael Barr, a former assistant Treasury secretary under Obama, said the overall direction the administration is taking is to make the financial system "less safe and less fair."
Fitch Ratings said it doesn't anticipate a full repeal of Dodd-Frank, but said some parts could be altered significantly.
Bank credit ratings could be lowered if the changes cause lenders to reduce the amount of capital they hold to protect against losses, according to Joo-Yung Lee, head of North American financial institutions at Fitch.
There's a great deal of uncertainty over precisely which parts of Dodd-Frank are on the chopping block.
Some of Dodd-Frank could be adjusted by Trump through executive actions, while other parts will require Congress. A bill sponsored by Republicans called the Financial Choice Act would eliminate the Volcker Rule, which bans banks from making risky bets with their own money, and also the Consumer Financial Protection Bureau, the Warren-inspired watchdog that has gone after big banks like Wells Fargo.
Treasury secretary nominee Steven Mnuchin has said he thinks the CFPB is worth keeping, but suggested it should be funded by Congress, not the Federal Reserve. Such a move could hurt the CFPB's independence, allowing Republicans to starve it of funding.
Mnuchin has said he wants to reform the Volcker Rule to make sure there aren't unintended consequences that hurt markets.
Another key issue: Banks had grown so large before 2008 that the government had no choice but to bail them out when they collapsed.
Spicer argued on Friday that despite Dodd-Frank's "overreaching," it failed to solve one the core issues of the financial crisis: Too Big To Fail banks.
"We must determine conclusively that the failure of a large bank will never again leave taxpayers on the hook," he said.

3. This advisor never thought he'd need Critical Illness coverage

[February 3, 2017] On December 4, 2016, I officially become a statistic. At age 39, I had a heart attack. How was this possible? I don't fit the risk profile: I don't smoke, I eat carefully, I'm not overweight, I rarely drink, there's no family history, I go to the gym twice a week, I walk my kids to school nearly every day, and my Fitbit says I take 90,000 steps a week on average.
I went through denial, anger, depression, and finally, acceptance. The reality is, stuff happens, and genetics have a way of prevailing, no matter what we tell ourselves.

How I got here

The story began 13 years ago. I had left my previous marketing position at an insurance company and became a financial advisor under two senior advisors. Working in an independent shop with no benefits, I thought securing some insurance would be smart. Having worked at an insurance company, and then as an advisor, I knew the stats about mortality and morbidity risk. I had seen people of all ages make claims on their policies. I needed to walk the walk if I was providing risk management solutions to clients. At 27, though, I felt invincible. So why would I buy insurance?

Fortunately, the logical side of my brain prevailed, and I purchased disability insurance with a future increase option and return of premium. I figured I should be able to cover my mortgage and condo fees, and maybe my cable TV (the priorities of a 27-year-old bachelor). My greatest asset was my ability to work, so if I couldn't, I wanted to keep the lights on and stay in my home.

By 29, I was married. It was time to get life insurance for mortgage and income loss protection. I finally got critical illness coverage through a 20-year term rider at age 32, which cost me about $190 per year. It felt good knowing my wife and three children were protected, and that I was practicing what I'd been advising clients.

Who's buying CI?

- Average age is 37
- About equal sales between men and women
- 92% of sales are to non-smokers
- 11% of sales are to juveniles

Source: Munich Re 2014 Individual Insurance Survey

As the years passed, I saw other people my age suffer illnesses such as strokes. A few even died. I still felt invincible, which in retrospect made absolutely no sense.

Critical illness

On December 4, everything changed.

Immediately after my attack, I reminded my wife that I had CI and that it would pay out if I'd had a heart attack. (I also reminded her about my life insurance, just in case.) I then BBM'd a colleague, who got the forms to us.

The CI claims specialist at my insurer faxed the attending physician statement forms to the doctor, and once my doctor faxed them back, my claim was approved within three business days.

I was in the hospital for a week, with my wife at my side all day and into the evening. She was exhausted, and was going to look after me for the next month as I recuperated at home. We knew it would be too much to look after three kids as well, so we hired a full-time nanny to help with day-to-day childcare for our youngest and walking the others to school. We wanted to make it feel like their routine hadn't drastically changed. It was expensive to hire a nanny, but worth every penny, and the CI payout helped cover the cost.

Buying patterns

- Average annual premium is about $1,286†
- Average size benefit amount is $82,000 †
- Almost 90% of policies have 20 or more covered conditions*
- 70% of sales have a return-of-premium feature

† Source: Munich Re 2014 Individual Insurance survey
**Source: Munich Re 2011; by new business premium*

My payout covered other costs I didn't consider or wouldn't have thought to tell clients about:

- medical costs not reimbursed by drug and health plan or deductibles (e.g., my plan only covers drugs at 90%; nitro was not covered for me);
- doctors' fees to complete forms for my short-term disability (my doctor charged $135);
- supplemental income replacement during short-term disability, since many plans do not pay out at 100%;
- lifestyle costs, such as a babysitter, nanny, taxi rides to and from the hospital, etc. (my wife said not having to worry about unplanned costs let her focus on the kids and me);
- a donation to St. Michael's and Toronto East General Hospitals to recognize the doctors and nurses who helped me; and
- a donation to the Heart and Stroke Foundation to help fund future life-saving research.

My CI policy offered ancillary benefits as well, including:

- a service to help me locate a general practitioner closer to my house;
- a service that provides a second opinion on my test results and my doctor's recommended treatments;
- a nutritional guidance service, with access to a nurse and dietitian who created a personalized meal plan including instructions on portions, alternative ingredients, and a meal schedule;
- a counselling service, which I found useful since a physical critical illness can also impact your mental health via depression or anxiety.

Fast forward to today

I'm getting back to normal – a new normal. I don't feel like the same person as before, since I now have a new diet and a daily prescription routine, as well as physiotherapy. I don't feel invincible anymore — quite the opposite.

To prevent future health issues, I’m learning how to better manage work stress. I’m not pounding out work emails at 10 p.m. I’m walking away from my BlackBerry after hours. I’m trying to refocus some of that energy and drive to other areas of my life.

Key claims statistics

- Cancer (68%)
- Heart attack (13%)
- Coronary artery bypass surgery (4%)
- Stroke (4%)
- Multiple Sclerosis (3%)
- Other (8%)

Source: Munich Re 2014 Individual Insurance Survey

Takeaways

While I was able to communicate during my attack, not all people will be. And, I was lucky enough to have a colleague who could help my wife. Looking back, my wife told me the following information would have been helpful:

1. She had always thought CI was more like a DI plan, and would have never known she could have made a claim. So, some basic education would have been helpful, as well as periodic reminders.
2. Without my colleague’s help, she wouldn’t have known how to initiate the claim. As I was both the insured and the advisor, she was lost. If your client has CI coverage, make sure to keep in touch with the spouse or other beneficiary — even if that person has another advisor — so they know who to turn to for help.

I found the financial security from my critical illness plan immeasurable. If you are unfortunate enough to have to make a claim, the stress it relieves is invaluable to your physical and mental health. Unfortunately, as with anyone who successfully makes a claim on CI, I will never be able to secure CI coverage again, but I am happy I purchased my plan at a young age to secure my insurability.

4. Home sales plummet in previously red-hot Vancouver

[February 2, 2017] Home sales in Metro Vancouver last month dropped by almost 40% compared with January 2016, with the sale of detached houses falling hardest.

The Real Estate Board of Greater Vancouver says the townhome and condominium markets are more active than sales for detached homes.

Just over 1,500 residential properties sold in January, down 39.5% from about 2,500 sales that were recorded in January last year.
Sales last month were also down about 11% from December, when about 1,700 homes sold.
The board says January's sales were 10% below the region's 10-year sales average for January.
The B.C. government brought in a 15% tax on foreign buyers in the Vancouver area last August, but some analysts have said the market was already showing signs of softening after months of scorching sales.
Board president Dan Morrison says it has been a "lukewarm" start to 2017 compared with 2016.
"While we saw near record-breaking sales at this time last year, home buyers and sellers are more reluctant to engage so far in 2017," he said in a statement.

5. GTA house prices could rise 16% in 2017

[February 1, 2017] In case you need more evidence of just how hot the Toronto real estate market is, the Toronto Real Estate Board (TREB) has released its annual market outlook report.
The average selling price for a home in the Greater Toronto Area (GTA) is expected to increase 10% to 16% in 2017, reveals the report, with an average price between $800,000 and $850,000. Prices for low-rise homes — detached and semi-detached houses and townhouses — will see the greatest increases.
For those who can still afford to buy, there's another problem: supply can't meet demand.
"While changes to federal mortgage lending guidelines and higher borrowing costs may impact some would-be home buyers, the big impediment will be the lack of inventory," says Jason Mercer, TREB's director of market analysis, in a release. "Active listings at the end of December were at their lowest point since before the year 2000. […] This will put a ceiling on sales growth."
While prices go through the roof.
Still, buyers are up for the financial challenge, with the average GTA homebuyer making a down payment of almost 28% (almost 26% for buyers in Toronto proper, and almost 24% for first-time buyers), reveals a November 2016 survey by Ipsos, cited in the report.
One challenge, however, is the potential for increased borrowing costs if rates rise this year. Further, under new mortgage rules, the majority of borrowers will be subject to a stress test, under which they must qualify at the posted chartered bank rate. That could take some buyers out of the market.

Housing affordability is indeed a growing concern.
"Home prices will increase well above the rate of inflation and income growth in 2017," says TREB CEO John DiMichele, in the release. "While governments have been focusing their policy solutions on allaying demand, what is needed are policies that focus on the lack of available homes […]. The public, private and not-for-profit sectors need to come together to focus on innovative solutions to the housing supply issue."

6. Mexican migrants send home a record US$27 billion

[February 1, 2017] The money sent home to Mexico by migrants living abroad rose to almost $27 billion in 2016, the highest on record. (All figures are in U.S. dollars.)
Remittances rose 8.8%, from $24.78 billion in 2015 to 26.97 billion in 2016.
Mexico's central bank said Wednesday almost all the money was sent to Mexico by electronic transfers. About $600 million continues to arrive in cash or by money orders.
Remittances have become Mexico's most important source of foreign income after manufacturing exports of almost $34 billion per year.
Remittances have far surpassed the $15.6 billion Mexico earns from oil exports and the $17.5 billion in tourism income Mexico received in 2015.
U.S. President Donald Trump has suggested the U.S. might retain some remittances to pay for a wall between the countries, a project Mexico opposes.

7. Cameco contract at risk as Tokyo Electric refuses uranium delivery

[February 1, 2017] Canada's largest uranium company says Tokyo Electric Power Co. is seeking to terminate a multi-year supply contract that would be worth about $1.3 billion of revenue through 2028.
Cameco says the Japanese power company has cited forces beyond its control — specifically government regulations arising from the 2011 Fukushima nuclear accident — that have prevented the operation of TEPCO's nuclear plants.
It says TEPCO has refused to accept a uranium delivery scheduled for today.
Cameco insists in today's statement that there's no basis for terminating the contract.
A termination would affect about 9.3 million pounds of uranium supplied by Cameco through 2028, including about 855,000 pounds annually in 2017, 2018 and 2019.

Cameco estimates the revenue at risk this year is $126 million, out of between $2.1 billion and $2.2 billion from all sources including TEPCO.

8. November's GDP inches above expectations

[January 31, 2017] Statistics Canada says real domestic product grew by 0.4% in November, slightly above expectations.

The improvement was due to strength in a broad number of sectors including manufacturing, finance, insurance, construction, and mining, quarrying and oil and gas extraction.

Economists had expected a 0.3% gain for November, according to Thomson Reuters.

Statistics Canada also revised its result for October, saying the economy shrank that month by 0.2%. That compared with an initial reading of a contraction of 0.3%.

For November, Statistics Canada says goods-producing industries rose 0.9%, while service-producing industries grew by 0.2%.

In an economic flash report, CIBC World Markets director Nick Exarhos says, "It was a warm November, and growth also came in hot for the Canadian economy. […] Indeed, quarterly growth is now likely to come in closer to 2% than the Bank of Canada's existing 1.5% forecast, further diminishing the risks of a quick cut despite the persistently dovish talk from the central bank."

9. New homes inventory in GTA at 'crisis levels'

[January 30, 2017] If your client is looking for a new home in the Greater Toronto Area (GTA), she might be out of luck. And if she does find a property that meets her criteria, she should prepare herself for sticker shock — even by Toronto standards.

That's because the number of new homes available across the GTA reached an unprecedented low in December 2016, while prices of new homes in the area broke records, reports the Building Industry and Land Development Association (BILD) in a release that cites data from Altus Group.

Inventory down, prices up

At the end of 2016, there were 13,670 new homes available for purchase, fewer than half of the homes available a decade ago. New high-rise supply reached a 10-year low, falling to 11,792 units. Meanwhile low-rise supply was 1,878 homes, of which only 742 were single-family detached homes.

Ten years ago, there were 12,871 high-rise units and 17,529 low-rise units available for purchase. Of the latter, 11,602 were single-family detached homes.

“We have a shortage of housing supply in the GTA that is approaching crisis levels,” says BILD president and CEO Bryan Tuckey, in a release. “Housing is selling as quickly as the industry can bring it to market, and the lack of developable land that is serviced with infrastructure, excessive red tape, out-of-date zoning and NIMBYism are hindering our ability to bring more to the market.” (NIMBY means “not in my backyard.”)

The lack of supply pushed prices to new highs across the board.

The average price of new low-rise homes, which include detached and semi-detached houses and townhomes, was $995,116 in December 2016. For new high-rise homes, the average price was $507,128.

For new single-family detached homes in the GTA, the average was $1,264,604. The average price of new detached homes increased by more than $273,000 in the past 12 months.

High-rise sales higher than ever

The GTA’s new homes market also set a record in 2016 for high-rise condo sales.

There were 29,186 new high-rise units sold across the GTA in 2016, more than in any previous recorded year — 30% more than in 2015. Sales were up in every region in the GTA, particularly in Durham where sales were more than double those of 2015.

Of the 47,161 new homes sold in the GTA in 2016, 62% were high-rise units and 38% were low-rise homes.

The largest number of new homes ever sold in the GTA was 53,660 units in 2002. Of those, 72% were low-rise and 28% high-rise — the reverse of 2016’s stats.

“The decline in low-rise sales in 2016 was due to the lack of product available to purchase, not softer demand,” says Patricia Arsenault, executive vice-president of research consulting services at Altus Group, in the release. “The fact that new product is being quickly absorbed, despite rising prices, shows there is continued buyer interest in purchasing new ground-oriented homes in the GTA.”

Have a nice and fruitful week!