Weekly Updates Issue # 704

1. Weekly Markets Changes

[March 8, 2019]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,996.21 -72.04 -0.45%	2,743.07 -60.62 -2.16%	25,450.24 -576.1 -2.21%	7,408.14 -187.2 -2.46%	$0.7450 -0.91c -1.21%	$1,298.30 +4.87 +3.77%	$56.07 +0.27 +0.48%

2. Canada added 55,900 jobs in February

[March 8, 2019] The labour market generated a second straight month of strong job gains in February with the creation of 55,900 net new positions, all of which were full time, Statistics Canada said Friday.

The Canadian increase even outpaced job creation in the United States, where figures showed an increase of just 20,000 new positions last month.

Canada's February surge followed an even bigger gain of 66,800 positions in January. The back-to-back results gave Canada its strongest two-month stretch of job creation since the spring of 2012—and its best two-month start to a year since 1981.

Even with the increase, the unemployment rate held firm last month at 5.8% as more people hunted for work, the agency said in its latest labour force survey.

The addition last month of 67,400 full-time jobs more than offset a loss of 11,600 part-time positions, the data showed. The agency said the number of more desirable employee positions in the private sector climbed last month by

31,800, while public sector jobs rose 8,900. The number of self-employed increased by 15,100.

Overall, the employment increase was led by a gain of 46,200 positions in the services sector, largely concentrated in the categories of professional, scientific and technical services, public administration and wholesale and retail trade.

The goods-producing sectors added 9,500 new positions following job gains in natural resources, agriculture and manufacturing.

Year-over-year average hourly wage growth in February for permanent employees was 2.3%, which was up from a reading of 1.8% in January.

The Bank of Canada keeps close watch of several wage indicators ahead of policy decisions on its key interest rate. In particular, the central bank focuses on a reading called "wage common," which incorporates payroll data from several sources, not just from the labour force survey.

On Thursday, Bank of Canada deputy governor Lynn Patterson said she expects economic growth— which has seen an abrupt deceleration in recent months—to build fresh momentum in the second half of the year, thanks in large part to the still-strong employment conditions and improving wages.

Over the 12-month stretch leading up to February, total employment rose by 369,100 jobs or 2%.

More young Canadians, between the ages of 15 and 24 years old, found work last month as youth employment gained 28,600 positions. The increase helped the youth jobless rate move down to 10.8%, from 11.2% in January.

By region, Ontario saw the biggest employment increase last month with the addition of 36,900 jobs.

3. White made $10.1 million in first year as BMO head

[March 8, 2019] Bank of Montreal CEO Darryl White received $10.1 million in total compensation in 2018, his first year in the bank's top job, according to the bank's proxy circular released Friday.

White took over from William Downe as BMO's chief executive on Nov. 1, 2017. In his first year as CEO, he received $8.6 million in direct compensation, 1.7% above his target.

In his previous role as chief operating officer, White received $8.3 million in total compensation.

Downe, in his last year as CEO, received $10.5 million in direct compensation for 2017.

White's total target compensation for 2019 increased to $10 million "to position his compensation more competitively with the market," the circular said.

BMO reported net income of $5.4 billion in 2018, up 2% from the previous year, and customer experience scores improved across the board, the document said.

Among the bank's other named executives, chief technology and operations officer Jean-Michel Arès saw the largest raise with total compensation of $7.5 million, compared to $6.3 million in 2017. His direct compensation was basically flat year over year but he received a $2 million tax-equalization payment that was much larger than his 2017 payment of $780,000.

Arès left his role on Nov. 1 and became a senior adviser at the bank. Steve Tennyson took over as chief technology and operations officer.

Group head of BMO Capital Markets Patrick Cronin received compensation of $7.5 million last year, the same as in 2017.

Cameron Fowler, president of North American personal and business banking at BMO Financial Group, received total compensation of $5.1 million in 2018, up from $4.6 million, with increases in option-based awards and incentive plans.

Chief financial officer Thomas E. Flynn received $3.7 million last year, compared to $3.6 million in 2017.

Diversity

One-third (33%, or 5/15) of the bank's director nominees are women, and more than 40% of its senior leader roles (executive and managing director levels) are held by women, the circular said.

Shareholder proposals

The bank is advising shareholders to vote against the two proposals at this year's annual general meeting:

- to create a new technology committee, and
- to disclose the equity ratio, the compensation committee uses in its compensation-setting process.

Proposals to integrate environmental, social and governance criteria into executive compensation and on climate change were withdrawn.

4. Canadian housing starts trend lower

[March 8, 2019] The trend in housing starts was 203,554 units in February 2019, compared to 207,742 units in January 2019, according to Canada Mortgage and Housing Corp. (CMHC). This trend measure is a six-month

moving average of the monthly, seasonally adjusted annual rates of housing starts.
"The national trend in housing starts resumed its downward trajectory in February while still remaining above historical average," said Bob Dugan, CMHC's chief economist. "Both single-detached and multi-unit dwellings starts trended lower. Higher mortgage rates combined with still-favourable, but less stimulative economic conditions have contributed to softer demand on new home markets in urban centres."

Vancouver

The trend in the Vancouver census metropolitan area (CMA) remained steady at a similar level to January. However, compared to the same month last year, the share of single starts decreased while condo starts rose to 77% of all new housing units in the CMA this month.

Edmonton

In Edmonton, housing starts in all segments of the market trended lower in February. The slow economic recovery across Alberta combined with other demand headwinds continue to affect home-ownership activity.

Toronto

Total housing starts in the Toronto CMA trended lower in February mainly due to low condominium apartment starts. Row and semi-detached home starts trended higher, underlining their popularity among buyers looking for lower-priced ground-oriented homes. Sales of new condominium apartment starts have been strong in 2017 and 2018 and these units will continue to break ground throughout this year at a varying pace.

Montreal

Total housing starts in the Montreal area in the first two months of the year were down from the corresponding period in 2018. However, unlike condominium and single-family home building, rental apartment construction has continued to show strong growth.

Halifax

Total housing starts in Halifax in February expanded by 25% year-over-year as construction on the multiples market in Halifax remains strong. While single-detached starts were stable compared to the same period last year, continued population growth from both international and interprovincial migration, combined with low vacancy rates are driving elevated levels of rental apartment construction.

5. Ontario government to release first budget April 11

[March 7, 2019] The Progressive Conservative government's first budget will be presented April 11, the finance minister announced Thursday, saying it would show a path to balance.

Vic Fedeli did not say, however, if the $13.5 billion deficit will be eliminated within the government's four-year mandate.

When asked if getting to balance would mean job losses, Fedeli said the premier has talked about finding efficiencies.

"You're going to see our promises kept, and one of the promises that the premier made is that no front-line workers will be cut," Fedeli said in Nobleton, Ont.

During last year's election campaign, Premier Doug Ford often said not a single job would be lost under his government, and he did not use a "front-line worker" qualifier.

Fedeli said the budget would put the province on a path to long-term fiscal sustainability.

"It will bring jobs and growth back to our province while protecting what matters most: our hospitals, our schools and our other vital public services," he said.

Opposition politicians have accused the Tories of inflating the deficit so they can justify cuts to programs and services.

When the Tory government took office last year they pegged the deficit at $14.5 billion, though the financial accountability officer said it was closer to $12 billion.

Treasury Board President Peter Bethlenfalvy said last month he has directed ministries to limit spending until fiscal year end of March 31.

The education ministry has also advised school boards to defer filling vacancies for retirements and other leaves for teachers and other staff until the minister gives them an update by March 15.

6. RBC CEO made $14.5 million in 2018

[March 7, 2019] David McKay, president and CEO of Royal Bank of Canada, made $14.5 million in total compensation last year, according to the bank's proxy circular released Thursday.

Toronto-Dominion Bank and Bank of Nova Scotia have already released their proxy circulars. Thus far, McKay has the second-highest CEO compensation, and TD's CEO has the highest. RBC had the highest market cap of the Big Five banks for the period.

McKay's 2018 total direct compensation was $13.5 million, which was 13% above his targeted compensation and a 9% increase from 2017. The board attributes this to, among other things, RBC maintaining its number-one market share in Canadian mutual fund assets under management and the success of the firm's continued U.S. expansion.

His pension, perks and other compensation totalled approximately $1 million, bringing his total compensation to $14.5 million for fiscal 2018.

Douglas Guzman, group head of RBC Wealth Management and RBC Insurance, made $7.5 million in total compensation for fiscal 2018, up slightly from $7.4 million in 2017. The board noted that Guzman held RBC's position as Canada's largest retail fund company and largest full-service wealth advisory business. Further, Guzman "accelerated acquisition of new clients through launch of Premier Banking, increasing high-net-worth households, with 25% growth year-over-year."

As for the other named executive officers:

- Rod Bolger, chief financial officer, made $4.4 million in total compensation in 2018, up from $3.7 million the year before.
- Douglas McGregor, group head, RBC Capital Markets and RBC Investor & Treasury Services, made $10.8 million in total compensation, the same amount as 2017.
- Neil McLaughlin, group head, Personal & Commercial Banking, made $4.5 million in total compensation, up from $2.9 million the year before.

Gender diversity

The circular notes that 45% of RBC's executives in Canada are women, and 22% of the firm's group executive are women. Five of the 12 board nominees this year are women, or 42%.

Shareholder proposals

RBC is facing two shareholder proposals this year, both of which the bank advises voting against.

1. A request for the bank to disclose the equity ratio used by the compensation committee in its compensation-setting process.
2. A request that the bank create a new technologies committee.

Shareholders also withdrew four shareholder proposals: three related to environmental issues and one related to workforce metrics.

Royal Bank's annual general meeting will be held April 4, 2019.

7. TD's Masrani made more than $15 million in 2018

[March 6, 2019] Toronto-Dominion Bank's board really likes Bharat Masrani—so much that it has asked the group president and CEO to stay on beyond his anticipated term.

"Given his strong performance, and significant medium-term transformation initiatives that are underway, the board has requested, and Mr. Masrani has agreed, to be available to serve as CEO beyond 2020, the year in which his existing compensation arrangements anticipate retirement and when he would cease to accrue additional pension benefits," the board writes in its letter to shareholders, which appears in the bank's proxy circular released last week.

By way of compensation, TD has increased his pension cap and given him a one-time stock option award of $1.9 million.

The board also expressed its confidence through Masrani's direct compensation, paying him 8% more in 2018 compared to 2017. He earned $11.7 million in direct compensation, which was $945,000 above his targeted amount.

Taking into account Masrani's pension, perks and other compensation, he made a total of $15.3 million in fiscal 2018, compared to $12.4 million the year before.

His 2018 total comp is $2 million higher than that of Scotiabank's CEO; Scotiabank is the only other Big Five bank to release its proxy circular so far. TD's circular notes that it had the second-highest market capitalization of its peers for the period, while Scotiabank was third.

The other named executive officers in the circular also earned more in fiscal 2018:

- Riaz Ahmed, group head and CFO, TD Bank Group made total compensation of $4.3 million, compared to $4.1 million in 2017.
- Bob Dorrance, group head, Wholesale Banking, TD Bank Group and chairman, CEO and president, TD Securities, made $8.9 million, compared to $8.6 million in 2017.
- Greg Braca, group head, U.S. Banking, TD Bank Group, and president and CEO of the U.S. TD Bank, made $5.8 million, compared to $4.8 million in 2017.
- Teri Currie, group head, Canadian Personal Banking, TD Bank Group made $4.8 million, compared to $4.1 million in 2017.

Gender diversity

Five of the bank's 14 director nominees are women, or 36%. The bank also notes that three of the 12 executive officer positions are held by women.

Shareholder proposals

TD is facing two shareholder proposals this year, which the bank advises voting against.

1. A request that the bank stop financing and divest of projects that emit high levels of greenhouse gases.

2. A request that the compensation committee disclose the equity ratio it uses in its compensation-setting process.

A shareholder withdrew two environment-related proposals after discussions with the bank.

TD will hold its annual general meeting April 4, 2019.

8. BoC holds, describes 'increased uncertainty' around timing of future hikes

[March 6, 2019] The Bank of Canada left its key interest rate unchanged Wednesday and pointed to "increased uncertainty" about the timing of future rate hikes following the economy's abrupt deceleration in late 2018.

The central bank's trend-setting interest rate is staying at 1.75% for a third-straight policy announcement—a stretch that comes after governor Stephen Poloz introduced five rate hikes between mid-2017 and last fall.

Notably, the bank's statement Wednesday dropped language from its release in January that said the governing council expected the rate would need to rise over time to an estimated destination range of between 2.5 and 3.5%.

"Given the mixed picture that the data present, it will take time to gauge the persistence of below-potential growth and the implications for the inflation outlook," said the statement, which explained some of the factors behind the decision.

"With increased uncertainty about the timing of future rate increases, governing council will be watching closely developments in household spending, oil markets, and global trade policy."

Last week, Statistics Canada released a report that showed the country, over the final three months of 2018, delivered its weakest quarter of economic growth in two and a half years. Economic growth slowed to an annualized pace of just 0.4%.

In its statement Wednesday, the central bank said it had been expecting a drop in household spending as well as weak numbers for exports and investment in oil-producing provinces in the fourth quarter.

But it acknowledged the slowdown ended up being "sharper and more broadly based" than it had anticipated.

The central bank had been warning Canadians to expect a soft patch in late 2018 and early 2019 primarily due to the steep drop in oil prices late last year.

Poloz noted in January that "as the snow melts, we'll have a clearer view that the economy is back on track and then likely to grow above or around 2% after that."

A fresh economic start by spring no longer appears to be in the forecast.

The first half of 2019, the bank added, is now on track to produce weaker numbers than its projection two months ago.
"Consumer spending and the housing market were soft, despite strong growth in employment and labour income," the statement said.
"Both exports and business investment also fell short of expectations."
Statistics Canada said the late-2018 slowdown was mostly due to a 2.7% contraction, on a quarter-over-quarter basis, in investment spending. Overall exports saw a slight decline and household spending slowed for a second straight quarter.
Heading into the decision Wednesday, the Bank of Canada was widely expected to leave the key interest rate untouched.
Many analysts have predicted the bank will wait until at least late 2019 before introducing another rate hike. There have also been doubts whether Poloz will raise the rate again this year—or whether his next move will even be a hike.
The central bank's next policy decision is scheduled for April 24 when it will also update its economic outlook in its monetary policy report.
On Wednesday, the bank said the global economy's deceleration has been more pronounced than expected—and more widespread.
The moderation, it added, has been caused in large part by concerns related to trade tensions and uncertainty. The bank, however, noted that global economic prospects would improve if ongoing trade conflicts are resolved.
The bank predicted inflation to stay slightly below its ideal 2% target through most of the year.

9. Toronto-area home sales drop, prices rise in February

[March 5, 2019] Home sales in the Greater Toronto Area in February fell compared with a year ago, while the average selling price ticked higher.
The Toronto Real Estate Board says there were 5,025 homes sold in the region last month, down from 5,148 in the same month last year.
The average selling price was $780,397, up from $767,801.
The 2.4% drop in the number of homes sold in the region came as the number of new listings fell 6.2%.
New listings in February totalled 9,828, down from 10,473 a year earlier.
The board says the decline suggests that market conditions became tighter compared with last year.
Vancouver home sales were also sluggish last month, with 28% fewer detached properties sold compared to a year earlier, with prices also falling.
In a report, RBC says the evidently soft housing markets of Toronto and Vancouver might not be as weak as statistics suggest.

“February was particularly brutal across Canada this year,” the report says. “Don’t count out buyers returning to market as spring weather sets in.”
Further, the bank isn’t calling for a break from market cooling measures, such as mortgage stress tests. While the bank’s preference to achieve looser demand-supply conditions in key housing markets is a focus on policy to address housing supply, for now “a full-blown housing collapse is highly unlikely” given economic strength and demographic underpinnings, it says.

10. Consumer delinquencies climbed higher in the fourth quarter: Equifax

[March 5, 2019] Equifax Canada says consumer delinquencies climbed higher in the fourth quarter of 2018, and the credit monitoring company warns that rising delinquency rates are likely to become the norm this year.
It says the 90-day mortgage delinquency rate rose by 1.5% from the fourth quarter of 2017 to 0.18% at the end of last year.
The comparable non-mortgage rate was up 0.4% to 1.07%.
Equifax says total Canadian consumer debt including mortgages increased to nearly $1.91 trillion in the fourth quarter, up from $1.82 trillion in the fourth quarter of 2017.
The average non-mortgage debt for consumers was $23,520, up 3% compared with a year earlier.
“Bankruptcies are up 15% in the last half of 2018, and the small increase in delinquency rates mask some underlying weakness,” Equifax Canada vice-president Bill Johnston said in a statement.
“Rising delinquency is likely to become the norm in 2019.”

11. Vancouver home sales sluggish in February as prices continue to fall

[March 4, 2019] The local real estate board says the benchmark price of a detached home in Metro Vancouver fell nearly 10% year over year as more sellers listed properties, but house hunters continued to take their time in February.
The Real Estate Board of Greater Vancouver says nearly 28% fewer detached properties sold last month compared with February 2018, and the benchmark price dropped 9.7% to $1,443,100.
Across all residential property types, sales dropped 32.8% compared with a year ago and were 42.5% below the 10-year February sales average.

The benchmark price for all residential properties fell 6.1% to $1,016,600 over the same time frame, with condominium prices down 4% to $660,300 and townhomes down 3.3% to $789,300.

The board says sales for apartments fell nearly 36% in February 2019 compared with the same month in 2018, and townhome sales declined nearly 31%.

There were just shy of 3,900 new residential property listings last month—down 7.8% compared with the same month the previous year—and the sales-to-active listings ratio for the month was 12.8%.

The board says there is typically downward pressure on property prices when that ratio falls below 12% "for a sustained period."

Action on housing

Housing is expected to be a key campaign issue ahead of October's federal election.

In January, Finance Minister Bill Morneau said the government was looking at multiple things to help with affordable housing for millennials, but he didn't elaborate.

In a report, RBC takes issue with the notion that Canada has a homeownership problem—even among younger Canadians.

"On average, more than 40% of Canadian households under 35 years of age own their own homes," says the RBC report. "And the proportion of all Canadian households who own a home is one of the highest among advanced economies."

Even Canadian cities with the least affordable markets, like Vancouver and Toronto, rank near the top globally in homeownership, it says. For example, Vancouver's ownership rate is about double that of Paris.

Further, Canada's ownership rate among millennials remains historically high, and is high relative to other countries, including the U.S. For example, Canada's ownership rate for those aged 35 and under was about 43% in 2016; the U.S. rate was 34.5%.

Still, the percentage of Canadian homeowners among households aged 35 and under has declined from about 47% in 2011.

To address the decline, RBC stresses treating the problem's source: supply.

"What millennials in Vancouver and Toronto really need is more inventory of homes they can afford, and a better mix of housing options—be it to own or rent," the report says. "Solving the supply issue isn't the federal government's responsibility alone but requires a concerted effort across all levels of government."

A good start would be removing regulatory and administrative barriers that inhibit developers and builders, it says.

Have a nice and fruitful week!

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