Weekly Updates Issue # 717

1. Weekly Markets Changes

[June 7, 2019]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,230.96 +193.5 +1.21%	2,873.34 +121.3 +4.41%	25,983.94 +1,168.9 +4.71%	7,742.10 +289.0 +3.88%	$0.7393 +1.35c +1.83%	$1,344.90 +39.3 +3.0%	$54.04 +0.54 +1.0%

2. Canadians concerned about aging parents becoming financial burdens

[June 7, 2019] Many Canadians are worried about the financial strain of supporting their elderly parents, according to a survey commissioned by FP Canada and Chartwell Retirement Residences.

The survey, conducted by Leger, polled more than 1,500 Canadians. Fourteen percent of respondents who had a living parent said they expect to postpone their retirement to financially care for them. Twelve percent said supporting their parents would prevent them from paying off debt. In contrast, only 5% and 8%, respectively, confirmed that financially being there for their parents has resulted in those scenarios.

Still, 13% of respondents said they have taken time off work to care for their parents, and 5% said they have had to quit their jobs. A press release notes that women were more likely than men to have taken time off work (15%, compared to 10%).

Canadians aged 18 to 34 are the most concerned about the financial implications of caring for elderly parents, with 18% expecting to postpone their retirement, the release adds.

The survey also found that many Canadians are unaware of various forms of financial assistance available to them to help them care for aging parents.

Only 28% said they're familiar with tax credits associated with dependent parents—the press release says men were more likely than women to be aware of these credits (31%, compared to 24%). Only 22% of all respondents knew about grants, loans and rebates that are associated with renovating homes to accommodate elderly parents.

3. New financial services regulator launches in Ontario

[June 7, 2019] Ontario's new provincial regulator, the Financial Services Regulatory Authority of Ontario (FSRA), officially launches on June 8.

The new independent, self-funded regulator, which oversees provincially regulated insurers, credit unions, trusts and pensions, replaces both the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO).

While the FSRA was an initiative of the previous provincial government, the new government has continued the effort, but has shifted its policy focus to reducing regulatory burdens.

"Its mandate is to be open —open to new ideas, open to business, and open to consumer needs. FSRA has the flexibility to cut red tape, bring products to market quicker and be more responsive to the needs of businesses," provincial finance minister Vic Fedeli said in a statement.

The government said the new agency will play a part in fulfilling its regulatory objectives for the financial sector, including its plan to regulate titles for financial planners and advisors.

"Our government recognizes that making Ontario open for business means making sure financial services are efficient, responsive to consumers and businesses — FSRA will play a vital role in helping businesses grow while protecting consumers," Fedeli added.

FSCO's dispute resolution services will be administered by the government until June 30, 2020. "During the transitional period, all open cases will continue, however no new proceedings will commence," it said.

4. The CRA sent more than 700,000 documents to the IRS in 2017

[June 7, 2019] The Canada Revenue Agency (CRA) sent more than 700,000 records to the U.S. Internal Revenue Service (IRS) in 2017 as part of a tax-information sharing deal between the two countries, said a CRA official during a roundtable discussion at the annual national conference of the Canadian arm of the Society of Trust and Estate Practitioners (STEP Canada) in Toronto on Friday. The figure is current as of April 2019.

In 2014, the Canadian government signed an intergovernmental agreement (IGA) with the U.S. to exchange tax information on each other's tax residents on an annual basis.

Under the IGA, which took effect in 2015, Canadian banks and other financial institutions report information on their American accountholders who have an aggregate balance of US$50,000 or more, excluding balances in some tax-sheltered accounts, to the CRA, which shares the data with the U.S. government.

In effect, the IGA implements the U.S. Foreign Account Tax Compliance Act (FATCA), a law passed in the U.S. in 2010 that compels global banks to report on their U.S. clients to the U.S. government. FATCA was designed to prevent offshore tax evasion by U.S. taxpayers.

So far, the U.S. government has not requested any further information in respect of the data sent by the CRA, said panellist Marina Panaourgias, an industry sector specialist in the trust section of the income tax ruling directorate of the CRA.

One cross-border tax expert suggested he isn't surprised that the IRS has made no further inquiries about the exchanged data.

"Now that they have that information, what is the IRS likely to do with it? Probably nothing," said Terry Ritchie, director of cross border wealth services at Cardinal Point Capital Management in Toronto. "They have more problems in their own backyard that they should be more attentive to than to be chasing non-compliant U.S.-resident taxpayers in Canada."

In recent years, global governments have made it an increasing priority to clamp down on offshore tax evasion.

For example, in 2017, Canadian financial institutions began identifying accounts belonging to individuals who are tax residents of foreign countries and reporting that information to the CRA under the Common Reporting Standard (CRS) regime, which was developed by the Organization for Economic Co-operation and Development. Canada began exchanging that information with foreign countries under the CRS the following year.

5. Market weakness spurred decline in foreign equity holdings in 2018

[June 7, 2019] Canadian investors' holdings of foreign equities declined for the first time in 10 years in 2018, according to new data from Statistics Canada.

StatsCan reported that overall holdings of foreign securities rose by $52.0 billion in 2018 to $2.2 trillion, but that equity holdings declined by 2.1% to $1.6 trillion — the first decline in a decade.
The drop in foreign equities was primarily due to stock market weakness, the report indicated.
For instance, the S&P 500 was down by 6.8% during the year. This decline was moderated by weakness in the Canadian dollar, which also dropped by 8.7% against the U.S. dollar during the year.
In 2017, foreign equity exposure increased by 23.0%, StatsCan noted.
But last year, it was foreign debt driving the increase in foreign investment. Canadian investors' foreign debt holdings increased by 18.9% during the year to $544.2 billion.
StatsCan said that $50.4 billion in acquisitions accounted for the largest share of the increase.
"Such investment activity had not been seen since 2006, a year marked by the rise of the maple bond market," it noted.
The overall increase in foreign securities holdings in 2018 reflects an ongoing trend of the past 10 years.
"Canadians are strongly exposed to global financial markets," StatsCan said. "This form of international investment has grown rapidly in recent years, doubling its share of total financial assets of Canadian investors in the last decade."
The U.S. remains the top foreign target for Canadian investors, accounting for over 60% of foreign holdings, StatsCan noted. The U.K. is a distant second at 5%, followed by Japan at 4% and France (2%).
While Canadian investors increased their U.S. holdings by about 4.9% in 2018, their exposure to most other major economies declined during the year; again, primarily due to lower equity markets.

6. Unemployment rate hit record low in May

[June 7, 2019] The economy added 27,700 jobs in May, while the unemployment rate fell to its lowest level since comparable data become available in 1976, Statistics Canada said Friday.
The unemployment rate fell to 5.4% compared with 5.7% in April as the number of people looking for work fell sharply, it reported.
The better-than-expected increase in the number of jobs follows a record 106,500 jobs that were added in April.
Economists on average had expected the addition of 8,000 jobs for the month and an unemployment rate of 5.7%, according to Thomson Reuters Eikon.

Year-over-year average hourly wage growth for all employees, a key indicator monitored by the Bank of Canada ahead of its interest-rate decisions, was 2.8% in May, up from 2.5% in April.
The increase in jobs was made up entirely of full-time employment as there was no change in the number of part-time jobs.
The overall gains were driven by an increase of 61,500 in the number of self-employed workers, while the number employees fell by 33,800 including a drop in 13,100 public sector employees and 20,700 private sector employees.
The goods-producing sector of the economy added 4,900 jobs, while the services sector added 22,800.
The health care and social assistance industry added 20,400 jobs in the month, while professional, scientific and technical services increased by 17,200.
Business, building and support services lost 19,400 jobs and employment in accommodation and food services fell 12,000.
Regionally, Ontario added 20,900 jobs in May, while B.C. saw the number of jobs rise by 16,800. Newfoundland and Labrador lost 2,700 jobs for the month.
Compared with May 2018, the Canadian economy added 453,100 jobs including 299,000 full-time positions and 154,100 part-time jobs.

7. Canada's trade deficit shrank to $966 million in April: StatsCan

[June 6, 2019] Statistics Canada says the country's merchandise trade deficit shrank to $966 million in April, the smallest deficit since October last year.
The result for the country compared with a revised trade deficit of $2.3 billion in March compared with an initial reading of $3.2 billion.
Economists had expected a deficit of $2.8 billion for April.
The smaller-than-expected deficit in April came as exports rose 1.3% in the month to $50.7 billion, as exports of metal and non-metallic mineral products climbed 15.0%, boosted exports of gold.
Imports fell 1.4% in April to $51.7 billion as imports of aircraft and other transportation equipment and parts fell 23.6%.
In volume terms, exports were up 2.0%, while imports fell 1.9%.

8. Toronto home sales up 18.9% in May from last year

[June 5, 2019] The Toronto Real Estate Board says the market is shifting to favour sellers as the number of home sales jumped in May and the number of listings barely budged.

It says there were 9,989 sales in May, up 18.9% from the 15-year low for the month hit last year, while listings grew by only 0.8% to 19,386.
The tightening market helped lead to a 3.6% increase in the average selling price year-over-year to $838,540, compared with a 1.9% increase in April and 0.5% for March.
TREB president Garry Bhaura says that while the market is improving after a sluggish start to the year, sales activity is still below the longer-term norm.
The board says the single-digit price increases are largely sustainable, but if listings continue to lag it could accelerate price growth.
It says many households aren't listing their homes because they don't feel there are housing options available to better meet their needs.

9. Pension assets decline in Q4 2018

[June 5, 2019] Amid stock market turmoil in late 2018, pension assets dipped in the fourth quarter (Q4), according to new data from Statistics Canada.
StatsCan reports that the market value of pension fund assets declined by 1.3% in Q4 2018, finishing the year at $1.87 trillion.
Despite that Q4 drop, assets rose by 1.6% on a year-over-year basis.
In Q4, equities led the decline in assets, with the market value of pensions' stock holdings dropping by 5.9% to $536.6 billion. Assets in foreign stocks fell by 2.0% in the quarter to $337.3 billion.
Conversely, bond assets ticked upward by 0.4% during the quarter. In particular, foreign bond assets rose by 2.7% in Q4 to $82.7 billion.
StatsCan also reports that pension fund revenues rose by 19.3% in Q4, to $50.8 billion. Investment income jumped by 46.6% in the quarter to $19.4 billion, and contributions rose by 12.9% to $16.9 billion.
Pension spending also rose by 39.0% in the fourth quarter, to $33.6 billion, generating net income of $17.2 billion, down by 6.5% in the quarter.

10. BoC issues alert about investment scheme

[June 3, 2019] The Bank of Canada is warning about a fraudulent investment scheme that is falsely claiming to involve Canada's central bank.
In an alert issued on Monday, the bank warned about an allegedly fraudulent scheme being carried out by a firm called World Way Capital (WWC).
It said that WWC is providing investors with a fraudulent "deposit guarantee/investor compensation" term sheet that claims the Bank of Canada will guarantee deposits in US dollars and cryptocurrencies.

“The Bank does not accept deposits nor does it guarantee any deposits or investments with WWC or any other company,” it said in the alert. “The Bank has no connection to this scam.”

Additionally, the central bank reported that the firm is also giving investors a “false partnership agreement” claiming to document a deal between the firm and the central bank. The Bank stresses that it doesn’t have any agreement with WWC.

“This fraudulent investment scheme misrepresents the [Bank of Canada] and makes use of the Bank’s name, identity, logos, trade-marks and letterhead without authorization,” it said.

Have a nice and fruitful week!