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Western Canada to boost growth nationwide

As Canada Day weekend approaches, I provide this timely, and broadly favorable economic news, (especially for western provinces), courtesy of RBC Economics.

Western Canada, subject to oil prices holding value, holds the card for the stronger rate of growth that RBC projects for the national economy for the remainder of 2017. Recoveries in Alberta and Saskatchewan should be the primary factor boosting Canada's growth from 1.5 per cent last year to 2.6 per cent this year.

These recoveries along with continued expansion in British Columbia and Manitoba will allow western provinces as a group to contribute to Canada's economic growth for the first time in three years. RBC maintains British Columbia at the top of its provincial growth rankings for the third consecutive year.

Steady as she goes in Central Canada

RBC sees little that would throw the economies of Ontario and Quebec off last year's course.

RBC expects consumers, who have been a force to reckon with lately, to continue to be a significant source of growth.

Governments will also pitch-in with significant infrastructure investment and other spending and tax measures, while exporters will find growing opportunities abroad. RBC expects sanity to re-

It's Only Money



MARK RYAN

turn in Ontario's housing market.

Demographic boost to fade in Atlantic Canada

RBC projects growth slowing across the Atlantic region with Newfoundland and Labrador seeing activity contracting again after a short break last year.

The expected slowing of the pace in some cases reflects a diminishing contribution from major capital projects as construction work winds down. More generally, it reflects RBC's view that the boosting effect of last year's immigration wave across the region will fade this year.

B.C. keeping the lead after all

Not even a 40 per cent correction in the Vancouver housing market seems to rattle the province much.

With so few signs of a slowdown out there, RBC's previous forecasted growth rate of 1.9 per cent for 2017 looks overly pessimistic, and has been boosted to 3.0 per cent. This keeps B.C. at the top of RBC's provincial growth rankings for the third consecutive year.

Yet RBC continues to expect that housing-related activity will con-

tribute less to B.C.'s expansion.

The softwood lumber trade conflict with the U.S. will weigh on provincial exports and the manufacturing sector.

For these reasons, RBC's view is that growth will moderate from the super-charged rate of 3.6 per cent in 2016 – a ten-year high – to 1.8 per cent 2018, when RBC sees renewed downward pressure on the housing market emerging in the face of rising interest rates.

Hard pressed to find signs of a slowdown

The B.C. labour market has been robust. Employment growth, at 3.6 per cent, is spectacular – far stronger than in any other province. B.C. has the second-lowest jobless rate (5.6 per cent as of May) in the country after Manitoba. Population growth is at a seven-year high thanks to wave of migrants coming from abroad and other provinces.

Sales of provincial retailers, wholesalers, manufacturers and restaurants continue to grow briskly – still leading the country in annual growth or ranking close to the top.

Residential construction activity remains exceptionally strong even though housing starts have come off their 23-year high recorded last year.

B.C. housing correction: is this it?

The latest news on the B.C. housing market indicates that

last year's downturn may have run its course. RBC sees evidence that home resale activity in the Vancouver area, for example, has picked up this spring and that prices have begun to firm up again. RBC's view now is that the market will continue to recover gradually through the remainder of this year. This means that RBC no longer expects the housing sector to weigh on economic growth as much as it thought previously.

Still, RBC sees clouds forming over B.C. housing market again next year when we anticipate interest rates beginning to rise in Canada.

Major construction projects at risk?

The economic implications of the May 9 provincial election aren't fully clear at this point but risks have increased for a couple of major capital projects in the province.

The likelihood of a coalition government between the NDP and Green party puts into question the earlier nods given by the incumbent Liberal government to the \$8.3 billion Site C hydroelectric dam and \$7.4 billion Trans Mountain pipeline expansion.

Under a pact signed at the end of May, an NDP-Greens coalition government would "employ every tool available" to stop the expansion of pipeline and ask for further regulatory review of the dam project.

The risks to the economy of any delays or shelving of these projects are more about the medium to longer term prospects than an immediate hit. In both cases construction work was scheduled to be on a lower gear this year.

Risks still abound

Much of the turnaround story in Alberta and Saskatchewan rests on oil prices continuing to recover, and could be de-railed if global oil prices steadily weaken again.

Increased protectionist sentiments in the U.S. pose a substantial risk to all provinces and the upcoming renegotiation of NAFTA no doubt will generate a lot of uncertainty. The softwood lumber trade dispute poses an immediate threat to forest-dependent communities in B.C. and Quebec in particular.

All things considered, where on earth would you rather be than this peaceful, beautiful, prosperous, fair-minded land? And where better in the summer than the central interior of B.C.? Not too hot, not too cool. Just right!

Happy Canada Day!

Mark Ryan is an investment advisor with RBC Dominion Securities Inc. (Member–Canadian Investor Protection Fund). This article is for information purposes only. Please consult with a professional advisor before taking any action based on information in this article. Mark can be reached at mark.ryan@rbc.com.

Rate hike expectations, dollar rises as Poloz reiterates cuts have done their job

Andy BLATCHFORD *The Canadian Press*

OTTAWA — With the Bank of Canada nearing its next policy decision, expectations of an interest-rate hike increased Wednesday after governor Stephen Poloz reiterated that his 2015 cuts appeared to have done their job.

Poloz made the comments in an interview broadcast on business news channel CNBC. He noted the Canadian economy enjoyed "surprisingly" strong growth in the first three months of 2017 and he expected the pace to stay above potential.

The Canadian dollar climbed to a four-month high of 76.44 cents US after Poloz's comments, which fed speculation about a rate increase as early as its next scheduled

announcement in two weeks. The boost lifted the loonie from an average price of 75.83 cents US on Tuesday.

If the central bank increases its key rate, the big Canadian banks are expected to raise their prime rates, driving up the cost of variable rate mortgages, other loans and lines of credit tied to the benchmark rate.

Poloz credited the two rate cuts introduced by the bank in 2015 for helping the economy counteract the effects of the oil-price slump, which began in late 2014. The reductions also helped increase the speed of the adjustment, Poloz added.

"It does look as though those cuts have done their job," said Poloz, who was in Portugal on Wednesday to participate in a forum hosted by the European Central Bank.

"But we're just approaching a new interest rate decision so I don't want to prejudice. But certainly we need to be at least considering that whole situation now that the capacity, excess capacity, is being used up steadily."

Later Wednesday, deputy governor Lynn

Patterson echoed Poloz in a Calgary speech, stating that the rate cuts had "helped to facilitate the economy's adjustment to the oil-price shock."

Patterson then added: "the economic drag from lower prices is largely behind us."

TSX winners

Stock	Symbol	Last Trade	dollar Chge	% Chge	52 Wk High	52 Wk Low
AdexMngIn	ADE	0.01	+0.01	+100.0	0.02	0.01
CdnArrowM	CRO	0.03	+0.01	+66.7	0.03	0.01
CaboDrill	CBE	0.02	+0.01	+50.0	0.05	0.01
StroudRes	SDR	0.02	+0.01	+50.0	0.03	0.01
GldBkMngC	GLB	0.15	+0.05	+45.0	0.15	0.06
AuricDe P	FMG	0.02	+0.01	+33.3	0.08	0.02
AcrexVens	AA	0.07	+0.02	+30.0	0.28	0.05
Reservoir	REO	0.05	+0.01	+28.6	0.12	0.03
WHHighYiel	WHY	0.39	+0.09	+27.9	0.43	0.09
CriticalO	COT	0.19	+0.04	+26.7	0.80	0.15
AltoVens	ATV	0.10	+0.02	+25.0	0.14	0.04
AustinDev	AUL	0.08	+0.02	+23.1	0.15	0.06
AMIResInc	ASI	0.03	+0.01	+20.0	0.10	0.03
StraticEg	FRK	0.15	+0.03	+20.0	1.18	0.12
RichmondM	RMD	0.06	+0.01	+20.0	0.07	0.03

TSX losers

Stock	Symbol	Last Trade	dollar Chge	% Chge	52 Wk High	52 Wk Low
Datinve H	DAI.H	0.01	-0.01	-50.0	0.02	0.01
Precisi P	PSC.P	0.09	-0.05	-37.0	0.14	0.10
VictoryRe	VR	0.01	-0.01	-33.3	0.06	0.01
Nightinga	NGH.H	0.01	-0.01	-33.3	0.06	0.01
TrAMenerg	TAE.H	0.01	-0.01	-33.3	0.03	0.01
ElectraGo	ELT	0.02	-0.01	-25.0	0.06	0.02
NewportEx	NWX	0.19	-0.05	-20.8	0.37	0.19
RunningFo	RUN	0.02	-0.01	-20.0	0.04	0.02
KFG Res	KFG	0.04	-0.01	-20.0	0.06	0.03
Mazarin H	MAZ.H	0.04	-0.01	-20.0	0.07	0.01
DynastyGl	DYG	0.02	-0.01	-20.0	0.04	0.01
BearclawC	BRL	0.05	-0.01	-18.2	0.06	0.03
BuzzTeleC	QBA	0.05	-0.01	-18.2	0.26	0.02
SavilleRe	SRE	0.03	-0.01	-16.7	0.08	0.01
MedBioGen	MBI	0.03	-0.01	-16.7	0.08	0.03

TSX locals

Stock	Symbol	Last Trade	dollar Chge	% Chge	52 Wk High	52 Wk Low
BallardPo	BLDP	3.820	0.040	+1.1	4.750	1.600
Canfor	CFP	19.940	0.500	+2.6	20.920	12.350
CdnNat'IR	CNR	107.630	0.850	+0.8	108.640	74.020
Chemtr UN	CHE.UN	18.390	-0.070	-0.4	19.380	16.100
Enbridge	ENB	52.560	-0.190	-0.4	59.190	49.610
HuskyEner	HSE	15.290	0.090	+0.6	17.420	13.920
ImperialM	III	4.760	0.040	+0.8	8.500	3.460
Int'lFo A	IFP	18.680	0.540	+3.0	20.340	10.310
M,D&Assoc	MDA	69.000	3.300	+5.0	90.230	61.800
NovaGoldR	NG	6.150	-0.150	-2.4	9.560	5.090
TELUS	T	45.350	0.100	+0.2	46.290	40.930
TerraneMt	TRX	1.250	0.000	0.0	2.330	0.630
WestFrase	WFT	62.220	1.570	+2.6	62.500	35.920
WestJetAi	WJA	23.130	0.140	+0.6	24.980	20.380

MUTUAL FUNDS best/worst

Best Fund	Net Asset Value	3-Month % Chge
Excel New India Leaders Fund Series A C\$	6.385	19.288
First Asset European Bank ETF	9.090	19.020
CIBC European Equity Fund Class A	18.435	18.284
Desjardins Overseas Equity Growth Fund A	19.178	16.888
Scotia European Fund Series A	15.602	16.760
Desjardins Overseas Equity Growth C CI A	13.077	16.752
CIBC EAFE Equity Pool	10.580	16.390
Stone EuroPlus Dividend Growth Fund A	13.857	16.326
Fidelity Far East Class Series B	39.274	15.569
Fidelity Far East Fund Series B	52.108	15.565
Worst Fund	Net Asset Value	3-Month % Chge
LOGiQ Growth Class Series A (LL)	10.005	-17.526
LOGiQ Growth Fund Series A	3.302	-16.592
Trimark Resources Fund Series A	10.458	-15.160
Trimark Energy Class Series A	4.689	-13.576
Stone Resource Plus Class Canada A	1.942	-13.417
AlphaNorth Growth Fund Series A - 010	2.618	-12.799
AlphaNorth Resource Fund Series A - 020	13.690	-12.590
Sentry Canadian Resource Class Series A	19.362	-11.864
Sentry Energy Fund Series A	3.562	-11.127
Galileo Growth and Income Fund A	11.583	-11.107

FINANCIAL HIGHLIGHTS

Highlights at the close Wednesday at world financial market trading.

Stocks:
S&P/TSX Composite Index – 15,355.58, up 74.36 points
Dow – 21,454.61, up 143.95 points
S&P 500- 2,440.69, up 21.31 points
Nasdaq – 6,234.41, up 87.79 points

Currencies:
Cdn – 76.57 cents US, up 0.74 of a cent
Pound – C\$1.6867, up 0.08 of a cent
Euro – C\$1.4844, down 0.69 of a cent
Euro – US\$1.1366, up 0.58 of a cent

Oil futures:
US\$44.74, up 50 cents (August contract)

Gold futures:
US\$1,249.10 per oz., up \$2.20 (August contract)

Canadian Fine Silver Handy and Harman:
\$22.943 per oz., up 12.4 cents
\$737.62 per kg., up \$3.99

CURRENCIES

These are indicative wholesale rates for foreign currency provided by the Bank of Canada on Wednesday. Quotations in Canadian funds.	India rupee	0.02024	South Africa rand	0.10073
Australia dollar	Japan yen	0.01164	South Korean won	0.001144
Brazil real	Malaysia ringgit	0.3039	Sweden krona	0.1524
China renminbi	Mexico peso	0.07299	Switzerland franc	1.3602
Euro	N.Z. dollar	0.9530	Taiwanese dollar	0.04294
Hong Kong dollar	Norway krone	0.1546	Thailand baht	0.03844
	Peruvian new sol	0.4016	Turkey lira	0.3714
	Russia rouble	0.02199	U.K. pound	1.6867
	Saudi riyal	0.3482	U.S. dollar	1.3060
	Singapore dollar	0.9446	Vietnam dong	0.000057

THE MARKETS TODAY

TORONTO (CP) — The Canadian dollar surged to a level not seen in four months Wednesday as investors digested a more hawkish tone on interest rates by Bank of Canada governor Stephen Poloz.

The loonie jumped 0.74 of a U.S. cent to an average price of 76.57 cents US after comments from the head of the central bank raised speculation that an interest rate hike could come as early as next month.

The currency's ascent helped send financials stocks higher, with that sector leading gainers on the Toronto's S&P/TSX composite index, which climbed 74.36 points to 15,355.58.

Bank and insurance stocks typically benefit from higher interest rates because it helps increase profits for short-term loans and increases yields for insurers.

Poloz said in an interview broadcast on business news channel CNBC that the Canadian economy enjoyed "surprisingly" strong growth in the first three months of 2017 and he expected the pace to stay above potential.

He also noted again that interest rate cuts that were put in place in 2015 appear to "have done their job."

TD Wealth portfolio manager James Morton says the tone of Poloz's remarks signalled to finan-

cial markets that a rate increase at the bank's next meeting on July 12 "is on the table and could certainly be in play."

But even if a hike does occur, he added, it doesn't necessarily mean it will be on a fast-moving upward trajectory.

"It would be a very small incremental movement," said Morton, adding that the central bank would "want to make sure they don't cause too much of a dislocation in terms of other impacts across the market."

The bank lowered its rate twice in 2015 to the very low level of 0.5 per cent to help offset the effects of the oil-price shock. But Poloz says that growth has rebounded with an "encouraging" pace in recent months.

Meanwhile south of the border, it was a similarly positive day for New York indexes as the Dow Jones industrial average gained 143.95 points to 21,454.61. The S&P 500 index added 21.31 points to 2,440.69 and the Nasdaq composite index was ahead 87.79 points to 6,234.41.

In commodities, the August crude contract advanced 50 cents at US\$44.74 per barrel and the August natural gas contract was up three cents at US\$3.09 per mmBTU.

