

## Ministry of Finance

## BRIEFING DOCUMENT

**To:** Michael de Jong  
Minister of Finance

**Initiated by:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Date Prepared:** November 16, 2016

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Debt Management Branch

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**Cliff #:**

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**TITLE:** Market Reaction to Trump Victory in US Election – Update # 2

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**PURPOSE:****(X) FOR INFORMATION**

For the purpose of determining the market reaction one week after Donald Trump's victory

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**COMMENTS:**

Provincial Treasury continues to closely monitor the financial markets (government bond yields, spreads, short term rates, equities, and exchange rates) and provides the following comments as of the morning of November 16. Our commentary is focused on current market conditions compared to the time period just before the US election results were announced. Overall, concerns about Trump's economic policy being very inflationary have fueled higher yields in the bond market and a stronger US\$ versus other major currencies.

*Bond Yields and Spreads:*

- Canadian bond yields are up 27 bps in the long end and 30 bps in the 10 year term (compared to 6 bps higher in the long end and 3 bps in the 10 year term on Nov 9)
- US Treasury yields are up about 33 bps in the long end and 41 bps in the 10 year term (compared to 16 bps higher in the long end and 11 bps in the 10 year term on Nov 9)

- Provincial spreads are about 1 to 2 bps tighter
- Canadian short term rates are wider by about 5 bps for 3 month and 6 month terms and 2 bps wider for the 12 month term
- US LIBOR is wider by about 2 bps for 3 month and 6 month terms and 4 bps wider for 12 month term
- BC spreads versus Ontario are relatively unchanged

*Bond Liquidity:*

- BC bonds are marginally better bid versus Ontario and other provinces

*Equities:*

- Dow Jones index is up around 610 points
- TSX is up around 140 points

*Currency Markets:*

- Canadian dollar is weaker by about 1 cent vs the US\$
- USD versus Euro - €0.0308 higher
- USD versus Pound - £0.013 higher
- USD versus Yen - ¥5.06 higher

**NEXT STEPS:**

Continue to closely monitor financial markets over the coming days and look at windows for new debt issuance after Second Quarter results are announced.

**Ritchie, Katherine FIN:EX**

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**From:** Hopkins, Jim FIN:EX  
**Sent:** Wednesday, November 16, 2016 10:59 AM  
**To:** Cholette, Frank FIN:EX  
**Cc:** Myers, Sam FIN:EX  
**Subject:** Fw: DM Overview\_Trump file Nov 14  
**Attachments:** DM Overview\_Trump file Nov 14.pdf

Great report...plse forward to Athana, David Galbraith, Sadaf Mirza, Jamie Edwardson and copy me

Cheers Jim

Sent from my BlackBerry 10 smartphone on the TELUS network.

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**From:** Cholette, Frank FIN:EX  
**Sent:** Tuesday, November 15, 2016 3:01 PM  
**To:** Hopkins, Jim FIN:EX; Myers, Sam FIN:EX  
**Subject:** DM Overview\_Trump file Nov 14

As per Athana's comments this morning looking for an update on the 'Trump' markets. I have come at it from a different perspective and have highlighted Trumps policy platform including his vision and citations on the each of the sectors (such as economy, regulation, trade, energy, etc..) and the contagion effect on capital markets.

Any questions let me know

Frank

# President Donald Trump – Policy Platform Review

## BC PROVINCIAL TREASURY DEBT MANAGEMENT BRANCH MEMO

November 14<sup>th</sup> 2016

### BACKGROUND

Republican candidate Donald Trump was elected as the 45<sup>th</sup> president of the United States on November 8<sup>th</sup> 2016, defeating Democratic candidate Hillary Clinton. Trump secured 279 Electoral College votes (Clinton 228) to win the election, although Clinton captured the popular vote by winning 60.1 million vs. Trump's 59.8 million votes. Trump will take office on January 20<sup>th</sup> 2017.

This memo highlights elements of the Republican Party's policy platform as well as points of emphasis by President Trump that may have relevance to the future market tone, potentially impacting the Province of British Columbia's future debt issuance and derivatives trading activities.

### ECONOMIC OUTLOOK

Now that the election results are known, a key question being asked is *what will happen to the US economy?* The feared "panic reaction" in the markets espoused by some commentators didn't materialize following Trump's victory. Instead, the Standard and Poor's 500 Index increased ~4%, Treasury bond yields increased by ~40 basis points (>7yr issues), and measures of volatility fell.<sup>1</sup>

*Standard & Poor's 500 Index, Nov 4-14 2016 (Source: Bloomberg)*

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The challenge for analysts is that Trump has made impassioned comments about inflationary spending policies and executing sweeping regulatory and policy changes but has offered little practical detail, especially as it pertains to financial regulation reform. Despite Trump's pointedness about repealing Dodd-Frank, NAFTA and the US's commitments to reduced emissions under the Paris Agreement, these are not actions he can take unilaterally or immediately. This affords opportunity for these potential changes to unfold in a more measured way than his brash campaign statements might signal would be the case. Potential legislative change aside however, it is expected that Trump will appoint "less aggressive" leaders to agencies like the Federal Reserve and Securities and Exchange Commission, achieving some of his goals through weakened regulatory enforcement.<sup>2</sup>

As for market reaction, Trump has made statements that could drive opposing effects on market behaviour and economic growth. Lower taxes on businesses, increased spending on infrastructure and defense and a relaxation of environmental and financial regulations are expected heat up the economy and expand market-making activity. But Trump has also made potentially contractionary comments about increasing interest rates and imposing limits on international trade and immigration.

Trump has also expressed overt criticism of Wall Street and the hedge fund industry for taking advantage of tax loopholes and generating profits in ways that he says have harmfully extracted

wealth from Americans. Yet his current economic advisory council draws heavily on financial industry executives associated with the strategies he has chastised in his campaign, including Steven Feinberg, John Paulson, Harold Hamm, Andy Beal, Tom Barrack, and Steven Mnuchin. His fervour against Wall Street is not necessarily resulting in contractionary expectations, possibly because the foundation of his thinking follows traditional republican approaches that could be seen as net expansionary.

The overall 'net effect' of Trump's proposed changes on market tone is a matter of debate among analysts, and this uncertainty is intensified by the potential for radical change related to social policies, immigration, international relations, trade, and military composition that could feed into economic activity in unexpected ways.

While it is premature to articulate a detailed economic outlook for Trump's campaign, market behavior in the days following the election points to a net-positive outlook in terms of economic growth. The New York Times reported: "Essentially, markets are signalling that investors think the Trump administration will follow through more completely on the plans that are positives for growth profits and will be more cautious on those policies that are negatives."<sup>3</sup>

For the province of British Columbia, inflationary pressures and associated increases in long term interest rates are expected to drive more costly borrowing in the near future while market access remains stable.

***Relevant excerpts from Trump's policy platform are included in the Appendix.***

## **APPENDIX: TRUMP POLICY PLATFORM EXCERPTS**

The following excerpts were selected due to their potential relevance to economic and market activity impacting the Province of British Columbia's future debt issues and derivatives activity.

Trump's platform was organized by topic area, and includes visionary statements as well as supporting citations/issues statements. Relevant excerpts were included below. The full policy platform is available online (<https://www.donaldjtrump.com/policies>) and in PDF format from the Debt Management Branch. All content was copied from the above website on 11/11/2014.

### **Economy**

#### Trump's Vision:

Copyright

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#### Trump's Citations on the US Economy:

Copyright

- SINCE PRESIDENT OBAMA TOOK OFFICE, THE NATIONAL DEBT HAS DOUBLED.

*Note: Although not part of the official policy platform, Trump has made strong statements about the “danger” of low interest rates, claiming that they can distort markets and inflate asset prices.<sup>4</sup> This has produced recent speculation among analysts as to whether Trump will replace Janet Yellen, Chairwoman of the Federal Reserve. Moreover, it has been tied to increases in bond yields post-election.*

## **Regulations**

### Trump’s Vision:

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### Trump’s Citations:

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Trade

Trump’s Vision:

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Trump’s Citations:

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## **Tax Plan**

Trump's Vision:

Copyright

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## Infrastructure

### Trump's Vision:

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### Trump's Citations:

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## National Defense

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**Energy**

Trump's Vision:

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Trump's Citations:

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**Immigration**

Trump's Vision

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Trump’s Citations:

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## Healthcare

Trump's Vision:

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## Education

Trump's Vision:

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<sup>1</sup> What Markets are Really Telling Us About a Trump Presidency. New York Times, Nov. 12 2016.  
<http://www.nytimes.com/2016/11/12/upshot/what-the-markets-are-really-telling-us-about-a-trump-presidency.html? r=0>

<sup>2</sup> Victorious Donald Trump is Devil Wall Street Doesn't Know. Bloomberg, Nov. 9 2016.  
<http://www.bloomberg.com/news/articles/2016-11-09/victorious-donald-trump-is-the-devil-wall-street-doesn-t-know>

<sup>3</sup> What Markets are Really Telling Us About a Trump Presidency. New York Times, Nov. 12 2016.  
<http://www.nytimes.com/2016/11/12/upshot/what-the-markets-are-really-telling-us-about-a-trump-presidency.html? r=0>

<sup>4</sup> Does Donald Trump Spell and End to Fed's Low-Rate Era? Wall Street Journal, Nov 10, 2016.  
<http://www.wsj.com/articles/does-donald-trump-spell-an-end-to-feds-low-rate-era-1478775604>

## Weekly Economic Summary

November 28 – December 2, 2016  
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### BC & Canada

#### Canadian Real GDP (Q3 2016)

Canadian real GDP grew 3.5 per cent (annualized q/q) in the third quarter of 2016, a marked improvement from the 1.3 per cent contraction in the second quarter.

(annualized q/q per cent change)

Canada Real GDP

Copyright

- Furthermore, BC's labour force decreased by 11,600 persons (m/m).
- Year-to-date to November, BC's employment rose 3.0 per cent compared to the same period of 2015.
- Analysts noted that British Columbia's pace of job growth has slowed from the first half of 2016, especially in the Vancouver metropolitan area.

#### Employment

Copyright

Source: Statistics Canada

- Statistics Canada partly attributed the turnaround to a 6.1 per cent jump in energy exports as the economy begins to recover from the impact of the Fort McMurray wildfires.
- Household consumption, the largest component of real GDP, was up 2.6 per cent (annualized q/q).
- Conversely, business investment fell for the eighth consecutive quarter.
- However, investment in non-residential structures, machinery and equipment was up while residential investment waned. This reversed the trend observed since the fourth quarter of 2014 in which higher residential investment was helping offset spending reductions on non-residential structures, machinery and equipment.
- Some analysts pointed out that while the outlook for both the energy and non-energy sectors looks more promising, Canada's economy remains fragile, as it continues to struggle to find new sources of growth.

Source: Statistics Canada

Employment in Canada increased by 10,700 jobs (or 0.1 per cent) in November compared to the previous month.

- Full-time employment declined by about 8,700 jobs (m/m) in November, while part-time employment rose by around 19,400 jobs (m/m).
- Year-to-date to November, employment in Canada increased 0.7 per cent compared to the same period of 2015.
- The national unemployment rate edged down to 6.8 per cent in November from 7.0 per cent in the previous month.
- Analysts noted that while job growth was fairly strong, all of the gains came from part-time, as opposed to full-time employment. Hourly earnings growth has also been fairly subdued.

#### Labour Force Survey (November)

Employment in BC decreased by 9,300 jobs (or 0.4 per cent) in November compared to the previous month.

- The province lost roughly 5,600 full-time jobs in November, while part-time employment fell about 3,700 jobs compared to the previous month.
- BC's unemployment rate fell slightly to 6.1 per cent in November, down from 6.2 per cent in October.



## United States

### Real GDP (Q3, second estimate)

US real GDP rose 3.2 per cent (annualized q/q) in the third quarter of 2016 according to the second estimate, a slight upward revision from the 2.9 per cent (annualized q/q) reported in the initial estimate.

- Personal consumption expenditures were higher than first estimated, adding 1.9 percentage points to third quarter growth. The increase in personal consumption was partly offset by a reduction in non-residential investment.
- Net exports have also improved substantially after a weak first half of 2016, contributing 0.9 percentage points to third quarter growth.
- Analysts observed that higher personal consumption along with improved consumer confidence point to a strengthening US economy, thereby increasing the chance of a US Federal Reserve interest rate hike in December 2016.

### US Real GDP

Copyright

Source: US Bureau of Economic Analysis

### Employment Situation (November)

US employment increased by 178,000 jobs (m/m) in November, after rising by 142,000 jobs (m/m) during the previous month.

- Monthly job gains were led by professional and business services (+63,000), administrative and support services (+36,000), health care (+28,000) and construction (+19,000).
- Year-to-date to November, monthly job gains averaged about 180,000, which is 19.9 per cent below the job gains observed in the same period of 2015.
- The unemployment rate was 4.6 per cent in November, down from 4.9 per cent in October.
- The labour force participation rate fell to 62.7 per cent in November, down from 62.8 per cent in October.

- Analysts viewed the November employment report as strong enough to keep the US Federal Reserve on course towards its prospective interest rates hike later this month.

### US Employment

Copyright

Source: US Bureau of Labor Statistics

### Consumer Confidence (November)

The US Conference Board Consumer Confidence Index jumped 6.3 points to 107.1 in November, from 100.8 in October.

- Consumers' views about both present conditions and expectations have become more optimistic. US consumer confidence is at its highest level since mid-2007.
- Analysts noted that consumer confidence seemingly withstood the uncertainty surrounding the US presidential election, based on the sample of survey responses collected after the election.

### US Consumer Confidence

Copyright

Source: Conference Board

# British Columbia Economic Indicators (recent changes, new or revised, are in bold)

British Columbia Economic Indicators (recent changes, new or revised, are in <b>bold</b> )					
	Latest data available	Month-over-previous-month	Jul-Sep over Apr-Jun average <sup>1</sup>	Current month over same month of previous year	Year-to-date average
				Per cent change (unless otherwise noted)	
Employment <sup>2</sup>	2,391 (thousand jobs)	November -0.4	+0.6	+2.1	+3.0
		-9,400 <sup>3</sup>	+16,367 <sup>3</sup>	+48,400 <sup>3</sup>	+69,291 <sup>3</sup>
Unemployment rate <sup>2</sup>	6.1 (per cent)	November -0.1 <sup>10</sup>	-0.3 <sup>10</sup>	-0.1 <sup>10</sup>	-0.0 <sup>10</sup>
Manufacturing shipments <sup>2</sup>	3,933 (\$million)	September +0.6	+4.4	+7.8	+2.8
Exports <sup>2</sup>	3,264 (\$million)	September +5.1	+11.6	+9.4	+2.5
Retail sales <sup>2</sup>	6,308 (\$million)	September +0.9	+1.2	+5.7	+6.4
Housing starts <sup>5</sup>	27,593 (units)	October -43.0	-6.3	-23.2	+32.7
Non-residential building permits <sup>2</sup>	238 (\$million)	September -16.9	-4.8	-28.6	-5.5
Consumer price index <sup>6</sup>	123.1 (2002=100)	October -0.1	+0.7	+2.1	+1.9
Forecast Status					

Forecast Status		Current Forecasts			
	Latest Government Forecast (September 2016)	2015	2016	2017	
<b>British Columbia Real GDP</b>		2.7 <sup>a</sup>	2.7	2.2	Percent change (unless otherwise noted)
<b>US Real GDP</b>		2.6 <sup>a</sup>	1.5	1.9	3.3 <sup>a</sup>
<b>Canada Real GDP</b>		1.1 <sup>a</sup>	1.0	1.8	2.6 <sup>a</sup>
<b>Cdn 3-mth treasury bills (%)</b>		0.5 <sup>a</sup>	0.5	0.5	0.9 <sup>a</sup>
<b>Exch. Rate (US cents/C\$)</b>		76.2 <sup>a</sup>	75.5	77.2	0.5 <sup>a</sup>
<b>SPF 2x4s (US\$/1000 bd ft)</b>		292 <sup>a</sup>	306	318	76.2 <sup>a</sup>

Provincial Key Economic Indicators																	
Data to:		Retail Sales <sup>2</sup>		Housing Starts <sup>5</sup>	Non-Res. Building Permits <sup>2</sup>		Exports <sup>6</sup>		Manuf. Ships. <sup>2</sup>		Employ. <sup>2</sup>	Unemploy. Rate <sup>2,4</sup>	Avg. Weekly Wage Rate <sup>6</sup>	Consumer Price Index <sup>8</sup>	Real GDP <sup>11</sup> for 2015 <sup>a</sup>	Real GDP Forecast <sup>7</sup> for 2016	Real GDP Forecast <sup>7</sup> for 2017
		Sep	Oct	Sep	Sep	Sep	Sep	Sep	Sep	Sep	Nov	Nov	Nov	Nov			
		Year-to-date per cent change (unless otherwise noted)															
British Columbia (rank in parentheses)		+6.4 (1)	+32.7 (1)	-5.5 (6)	+2.7 (2)	+2.8 (4)	+3.0 (1)	6.1 (1)	+0.8 (8)	+1.9 (3)	3.3 (1)	2.9 (1)	2.2 (1)				
Alberta		-2.1	-36.3	-8.6	-21.9	-11.7	-1.6	8.0	+0.6	+1.2	-3.6	-2.7	2.1				
Saskatchewan		+0.7	-1.7	-41.2	-21.2	-1.7	-0.8	6.3	+3.1	+1.2	-1.3	-0.4	1.7				
Manitoba		+5.3	-10.4	+38.3	-3.1	+0.7	-0.5	6.1	+1.9	+1.4	2.2	2.1	2.0				
Ontario		+4.9	+11.5	-4.6	+6.3	+4.8	+1.1	6.6	+2.4	+1.8	2.5	2.6	2.2				
Quebec		+4.2	+4.4	-1.1	-3.2	-1.9	+0.8	7.1	+3.4	+0.7	1.2	1.4	1.6				
New Brunswick		+4.1	-3.8	+9.4	-14.9	-7.1	-0.3	9.7	+1.3	+2.1	2.3	0.4	0.6				
Nova Scotia		+4.1	-14.8	-6.2	-2.4	+4.4	-0.5	8.4	+2.8	+1.2	1.0	1.3	1.2				
Prince Edward Island		+6.1	+2.1	+11.4	+4.0	+4.0	-2.4	10.9	+1.1	+1.1	1.3	1.2	1.1				
Newfoundland & Labrador		+1.5	-11.4	-33.2	-18.1	-21.1	-1.2	13.2	-1.4	+2.5	-2.0	-0.6	-1.2				
Canada		+3.7	+2.2	-5.1	-4.7	+0.3	+0.7	7.0	+2.0	+1.4	0.8	1.2	1.9				

Compares the average of data for the third quarter of 2016 to the second quarter of 2015.

<sup>1</sup> Seasonally-adjusted data.

<sup>2</sup> Changes in number of jobs over the period.

<sup>3</sup> Year-to-date unemployment rate.

<sup>4</sup> Seasonally-adjusted at annual rates.

<sup>5</sup> Not seasonally-adjusted data.

<sup>6</sup> Average of the three forecast council members: IHS Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, CIBC, BC Real Estate Association, Conference Board of Canada, Cdnatl Credit Union, Business Council of BC, Laurentian Bank Securities, Scotia Economic Consulting, and National Bank as of January 9, 2016.

<sup>7</sup> Average of IHS Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, and CIBC as of October 4, 2015.

<sup>8</sup> Percent change per cent change.

<sup>9</sup> Real GDP for 2015 is based on Statistics Canada's GDP by Expenditure (Table 384-0038).

<sup>10</sup> An average of IHS Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, and CIBC.

<sup>11</sup> Average of the three forecast council members: IHS Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, CIBC, BC Real Estate Association, Conference Board of Canada, Cdnatl Credit Union, Business Council of BC, Laurentian Bank Securities, Scotia Economic Consulting, and National Bank as of January 9, 2016.

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## Weekly Economic Summary

December 5 – December 9, 2016

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#### BC & Canada

##### Merchandise Exports (October)

The value of BC's merchandise exports increased 5.2 per cent (m/m) in October, and was up 5.9 per cent compared to the first ten months of 2015.

- Notable year-to-date growth in BC's exports was observed in forestry products and building and packaging materials (+7.6 per cent) and metal and non-metallic mineral products (+31.6 per cent), which helped offset year-to-date declines in exports of metal ores and non-metallic minerals (-10.7 per cent).
- Year-to-date growth in energy product exports (+7.1 per cent) has improved after a gain of 27.6 per cent (m/m) in October.
- Year-to-date to October, exports to the United States (BC's largest trading partner) were up 11.1 per cent, while exports to other international destinations have risen by a more modest 0.2 per cent.

##### Merchandise Exports

The value of Canada's merchandise exports increased 2.7 per cent (m/m) in October, but remained down 4.0 per cent year-to-date.

- A significant year-to-date gain was observed for Canadian exports of motor vehicles and parts (+12.6 per cent), which helped mitigate the impact of weaker energy products exports (-24.5 per cent).
- TD analysts noted that despite the higher dollar value of exports, actual export volumes waned in October, suggesting international trade will not contribute much to growth in the fourth quarter.

##### Housing Starts (November) & Building Permits (October)

BC's housing starts (annualized) rose 67.3 per cent (m/m) in November to reach 46,114 units.

- Year-to-date to November, BC's housing starts were up 35.2 per cent compared to the same period of 2015.
- The value of BC's building permits were up 3.2 per cent year-to-date to October, reflecting a 6.1 per cent increase in residential building permits that was somewhat offset by a 4.2 per cent decline in non-residential building permits.

##### Housing Starts

Copyright

Source: Canada Mortgage and Housing Corporation

Canada's housing starts (annualized) fell 4.3 per cent (m/m) in November to reach 183,989 units.

- Year-to-date to November, national housing starts rose 0.6 per cent compared to the same period of 2015.
- The value of Canada's building permits decreased 2.8 per cent year-to-date to October, with residential building permits down 1.4 per cent and non-residential building permits down 5.2 per cent.
- Despite support from favourable demographics, TD Bank analysts expect some moderating for Canada's housing demand next year due to a soft labour market, recent changes to mortgage rules, and increasing mortgage rates.
- Analysts also noted the continued regional divergence in residential housing activity, with BC and Ontario standing out compared with the rest of the country.

BC (\$ millions, sa)	Building Permits	CAN (\$ millions, sa)
Copyright		
Source: Statistics Canada		

### Bank of Canada Policy Decision (December)

The Bank of Canada (BoC) left its target for the overnight rate unchanged at 0.5 per cent.

- Total CPI inflation remains slightly below the BoC's two per cent target, largely due to lower food prices.
- Even as Canada's economy bounced back in the third quarter, the BoC remained cautious in its view about prospects for the fourth quarter of 2016.
- The BoC pointed out that uncertainty in Canada's key trading partners, partly due to the US elections, has been a drag on growth.
- The BoC also noted that household financial imbalances were still a concern, but these imbalances will be mitigated in the future by recent rule changes for mortgage lending.
- Analysts interpreted the cautious tone of the BoC's announcement as a sign that monetary policy would remain accommodative for the foreseeable future, despite the looming interest rate hike by the US Federal Reserve next week.

### United States

#### ISM Indices (November)

The ISM non-manufacturing index increased 2.4 points to 57.2 in November, after slipping to 54.8 in October.

- The increase pushed the non-manufacturing index to its highest level in just over a year.
- The non-manufacturing index was 0.6 points higher compared to November 2015.
- Analysts pointed out that the rise in the business activity and employment components of the index suggests that service sector activity has accelerated after a slow start to the fourth quarter.

The ISM manufacturing index rose from 51.9 in October to 53.2 in November.

- The manufacturing index was 4.8 points higher compared to November 2015.
- The increase was broad-based as eleven out of eighteen manufacturing industries reported that activity increased in November.
- Analysts noted that the decline in the exports component of the index highlights pressure on externally exposed manufacturers and that industry prospects may be held back by a higher US Dollar.

ISM Indices
Copyright
Source: Institute for Supply Management

### Consensus Economics Forecast (December)

The outlook in the December Consensus was slightly improved, with upward revisions for several economies this year as well as in 2017.

- The Consensus average forecast for Canada's real GDP in 2016 was raised by 0.1 percentage points compared to the November survey, mainly due to better than expected growth in the third quarter as oil production is restored following the Fort McMurray wildfires.
- The Consensus average forecast for US real GDP in 2017 was raised by 0.1 percentage points compared to the November survey, reflecting prospective fiscal and tax policy reforms that have been alluded to by the new US administration as well as upward revisions to third quarter GDP.
- The forecast for Japan was raised by 0.1 percentage points for both 2016 and 2017.
- The Consensus average forecast for euro zone real GDP in 2017 increased 0.1 percentage points compared to the November survey, but political uncertainty remains a concern.
- Euro zone real GDP rose 1.4 per cent (annualized) in the third quarter of 2016, unchanged from the preliminary estimate released by Eurostat in October.

- GDP was up in every euro zone member state for which data is available, with the fastest growth (q/q) recorded in several smaller economies led by Croatia, Slovenia, Greece and Portugal.

**December 2016 Consensus  
Forecasts for Real GDP, % change**

Copyright

Source: Consensus Economics (December 2016 Survey)

- Japan's quarterly real GDP was revised with methodological changes to all of the historic data, as well as a shift in the base year to 2011 from 2005.
- The changes resulted in downward adjustments to growth for several GDP components in the third quarter, especially for net exports and non-residential business investment.
- Analysts noted that despite government stimulus, business investment remains weak while sluggish wage growth remains a concern.

**Japan Real GDP**

Copyright

Source: Government of Japan, Cabinet Office

## Europe

### European Central Bank Policy Decision (December)

The European Central Bank (ECB) held the interest rate on the deposit facility at -0.40 per cent.

- The ECB also decided to maintain the interest rate on the main refinancing operations at 0.00 per cent and the interest rate on the marginal lending facility at 0.25 per cent.
- In addition, the ECB announced the extension of its monthly asset purchases until December 2017, but the value of monthly purchases will be cut by €20 billion to €60 billion per month. The ECB also announced that it would widen the array of assets classes it would purchase.
- Despite the trimming of the ECB's monthly asset purchases, analysts noted that in the aftermath of Brexit, Italy's referendum and the US presidential elections, the ECB will maintain its accommodative monetary policy through 2017.

## Asia

### Japan Real GDP (Q3, Second Estimate)

According to the second estimate released by Japan's Cabinet Office, Japan's economy grew by 1.3 per cent (q/q, annualized) in the third quarter of 2016, down from 2.2 per cent in the first estimate.

- Year-to-date to the third quarter, Japan's economy has expanded 0.7 per cent compared to the first three quarters of last year.



# Weekly Economic Summary

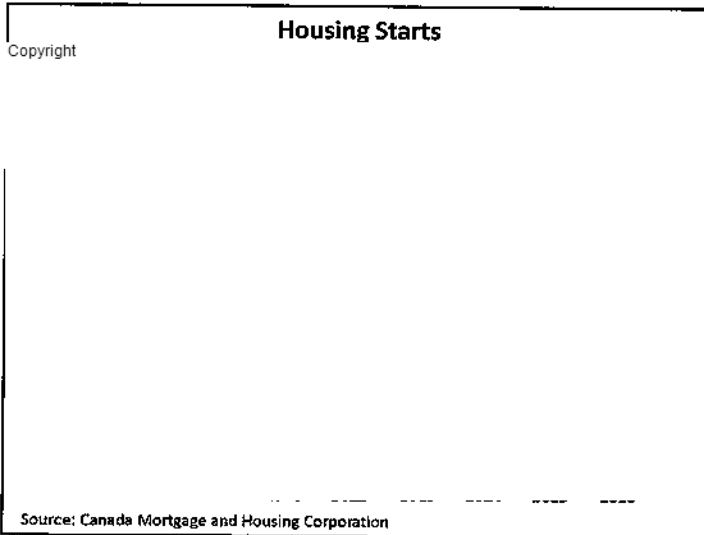
January 9 – January 13, 2017  
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## BC & Canada

### Housing Starts (December & Annual) & Building Permits (November)

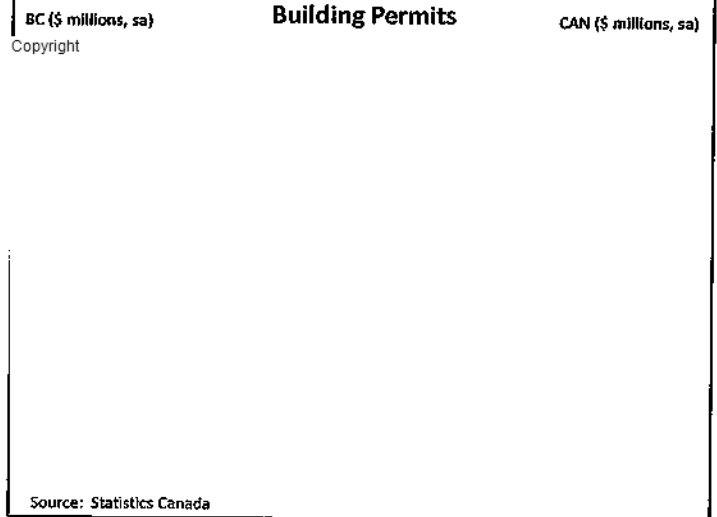
BC's monthly housing starts receded by 9.4 per cent (m/m) in December, down to 41,806 units (annualized).

- On an annual basis, BC's housing starts in 2016 increased by 33.1 per cent to a total of 41,843 units.
- The value of BC's building permits were up 4.2 per cent year-to-date to November, reflecting an 8.0 per cent increase in residential building permits, which offset a 5.2 per cent decline in non-residential building permits.



Canada's monthly housing starts increased 10.6 per cent (m/m) in December to reach 207,041 units (annualized).

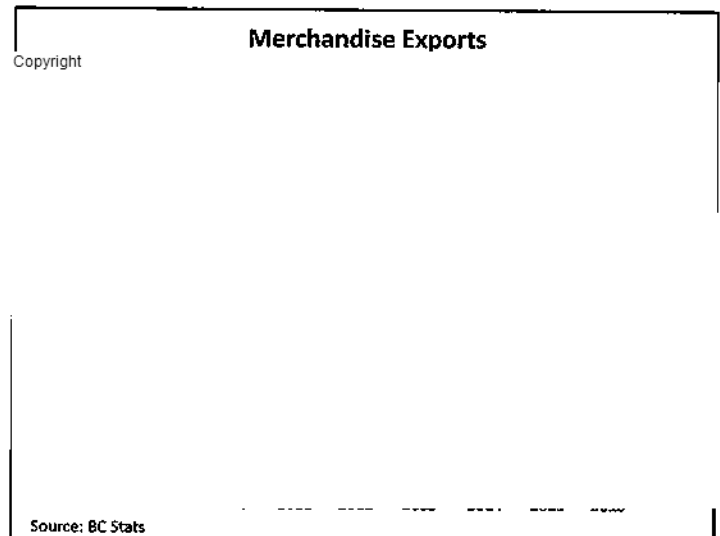
- On an annual basis, Canada's housing starts increased 1.2 per cent in 2016 compared to the previous year, for a total of 197,915 housing units.
- The value of Canada's building permits was down 0.9 per cent year-to-date to November. Issuance of non-residential building permits declined 3.9 per cent year-to-date, offsetting a 1.0 per cent increase for residential building permits.
- Analysts from TD noted that housing starts were in line with trends in household formation across much of Canada. However, some tentative signs point to overbuilding in parts of Western Canada.
- TD Bank analysts expect a slowdown in home building across Canada next year, due in part to revised mortgage rules and rising mortgage rates.



### Merchandise Exports (November)

The value of BC's merchandise exports jumped 10.4 per cent (m/m) in November, and up 7.6 per cent year-to-date compared to the first eleven months of 2015.

- Notable year-to-date growth in BC's exports was observed in forestry products and building and packaging materials (+8.0 per cent), energy products (+16.8 per cent) and metal and non-metallic mineral products (+32.1 per cent), which helped offset significant year-to-date declines in exports of metal ores and non-metallic minerals (-11.4 per cent).
- Year-to-date growth in energy products exports (+16.8 per cent) has improved after a monthly gain of 28.0 per cent (m/m) in November.
- Year-to-date to November, merchandise exports to the United States (BC's largest trading partner) were up 11.6 per cent, while exports to other international destinations have risen by 3.2 per cent.



The value of Canada's merchandise exports increased 3.7 per cent (m/m) in November, though still down 3.0 per cent year-to-date.

- Year-to-date gains for Canadian exports of motor vehicles and parts (+10.7 per cent) and consumer goods (+4.7 per cent) have helped cushion the impact of lower energy products exports (-20.5 per cent).
- Analysts from CIBC noted that exports to non-US destinations were a key contributor to Canadian merchandise trade in November. The relatively strong trade performance should have bolstered Canadian economic output during the final quarter of 2016.

#### Labour Force Survey (December & Annual)

Employment in BC was up 17,000 jobs in December, or 0.7 per cent (m/m).

- For 2016 as a whole, BC's annual average employment was 2,379,500, an increase of 73,300 jobs or 3.2 per cent compared with the annual average in 2015.
- BC's employment growth in 2016 (+3.2 per cent) was the highest among the ten provinces, followed by Ontario (+1.1 per cent) and Quebec (+0.9 per cent).
- The province added 2,100 full-time positions in December, while part-time employment grew by 14,900 jobs compared to the previous month.
- BC's unemployment rate receded to 5.8 per cent in December, down from 6.1 per cent in November.
- Furthermore, BC's labour force increased by 9,100 persons (m/m) in December.
- Analysts noted that employment growth has not been evenly spread throughout BC, with most regions outside of Vancouver and Victoria exhibiting some softness.

Employment across Canada increased by 53,700 jobs (or 0.3 per cent) in December, to reach a total of 18,225,000 jobs.

- Nationally, annual average employment rose by 133,300 jobs in 2016, or 0.7 per cent compared to the annual average in 2015.
- Full-time employment was up by 81,300 jobs (m/m) in December, while part-time employment fell by 27,600 jobs (m/m).
- The national unemployment rate edged up 0.1 percentage point to 6.9 per cent in December.
- Analysts noted that most of the employment gains in December were full-time jobs, as opposed to the preceding few months in which part-time jobs was the bigger contributor to employment growth.
- Despite the positive year-end employment figures, TD Bank analysts pointed out that Canada's labour market faced numerous challenges in 2016.

#### United States

##### Employment Situation (December & Annual)

US employment increased by 156,000 jobs (m/m) in December, after rising by 204,000 jobs (m/m) during the previous month.

##### US Employment

Copyright

##### Employment

Copyright

Source: US Bureau of Labor Statistics

- Monthly job gains were led by education and health care services (+70,000), leisure and hospitality services (+24,000) as well as trade, transportation and utilities services (+24,000). The manufacturing sector posted its first employment increase (+17,000) since July.
- Through 2016, monthly employment gains averaged about 180,000 jobs, down 21.4 per cent compared with 2015.
- The unemployment rate was 4.7 per cent in December, up from 4.6 per cent in November.

Source: Statistics Canada

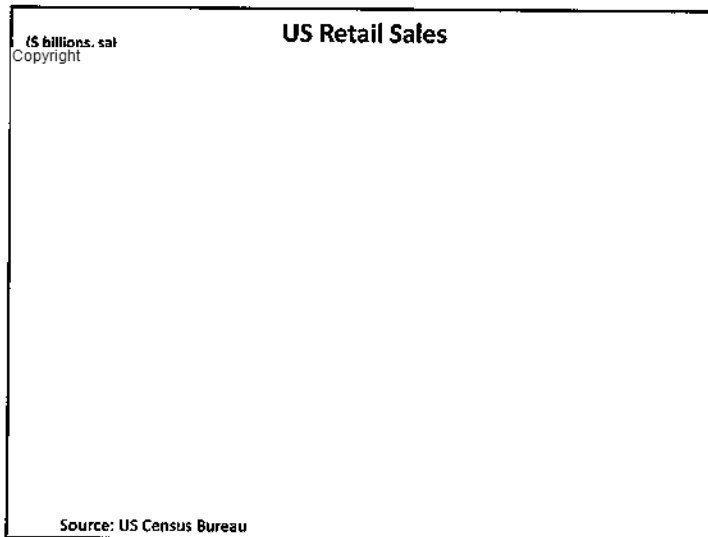


- The labour force participation rate rose to 62.7 per cent in December, up from 62.6 per cent in November.
- Analysts noted that despite a slightly slowed pace of job creation towards the end of 2016, the US labour market has been continually improving and they expect further improvement in 2017, alongside accelerating wage growth.

#### Retail Sales (December & Annual)

US retail sales increased 0.6 per cent (m/m) in December, a pick up from more tepid retail activity in November (+0.2 per cent m/m).

- For 2016 as a whole, US retail sales grew 3.3 per cent compared with retail activity in 2015.
- Private sector analysts noted that retail sales picked up in 2016. Higher savings, lower debt, better credit access, employment growth and rising wages are expected to collectively continue to support consumers and retail spending going forward.



#### Federal Reserve Bank Policy Decision (December 14, 2016)

The US Federal Reserve raised its target for the Federal Funds Rate to between 0.50 and 0.75 per cent in mid-December.

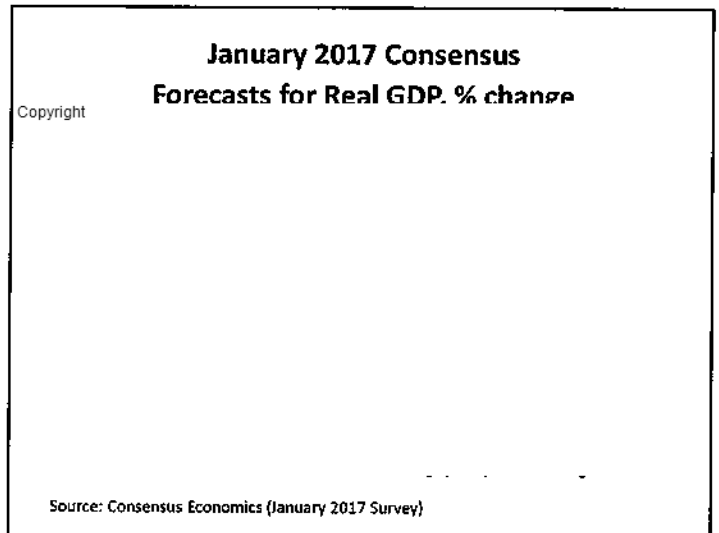
- The last increase of the Federal Reserve's benchmark interest rate was in December 2015.
- The Federal Reserve noted that the labour market has continued to strengthen and inflation, while below the FOMC's 2 per cent target, has risen.
- Analysts at Moody's noted that expectations for increased government spending by the incoming US administration has raised inflation expectations, long-term interest rates and the market's expectations for future increases to the Federal Funds rate.

### World

#### Consensus Economics Forecast (January)

The outlook in the January Consensus was slightly improved. The average forecast was revised upwards for several economies in 2017 and 2018.

- The average forecast for Canada's real GDP in 2017 was raised by 0.1 percentage point compared to the December survey, though forecasters warned that the pace of growth is uneven.
- Canada's real GDP in 2018 is still expected to grow by 2.0 per cent according to the Consensus. Forecasters are paying special attention to future US-Canada trade relations under the new American administration.
- The Consensus for US real GDP growth in 2017 was unchanged at 2.3 per cent. Forecasters remained upbeat about prospective fiscal spending by the new US administration.
- The forecast for Japan was raised by 0.1 percentage points for 2017, boosted by the recent approval of record setting fiscal spending that may stimulate growth. The outlook for 2018 is unchanged as the Consensus expects real GDP growth in 2018 to slow slightly from 2017, down to 0.9 per cent.



# British Columbia Economic Indicators (recent changes, new or revised, are in bold)

	Latest data available	Month-over-previous-month	Oct-Dec over Jul-Sep average <sup>1</sup>	Current month over same month of previous year	Data to January 13, 2017
Employment <sup>2</sup>	2,408 (thousand jobs)	+0.7	+0.5	+3.1	+3.0
Unemployment rate <sup>2</sup>	5.8 (per cent)	-0.3 <sup>10</sup>	+11,787 <sup>2</sup>	+72,400 <sup>3</sup>	+69,550 <sup>3</sup>
Manufacturing shipments <sup>2</sup>	3,909 (\$million)	-0.5	+0.4 <sup>10</sup>	-0.9 <sup>10</sup>	-0.1 <sup>10</sup>
Exports <sup>2</sup>	3,813 (\$million)	+10.4	+8.2	+6.9	+3.2
Retail sales <sup>2</sup>	5,448 (\$million)	+1.8	+2.6	+24.3	+7.6
Housing starts <sup>5</sup>	41,806 (units)	-9.4	-7.3	+18.8	+6.6
Non-residential building permits <sup>2</sup>	262 (\$million)	-5.0	-3.2	-20.6	+33.7
Consumer price index <sup>6</sup>	122.7 (2002=100)	-0.3	-0.3	+1.6	+1.9

## Forecast Status

	Latest Government Forecast (September 2016)	Current Forecasts
British Columbia Real GDP	2016 2.7 Percent change (unless otherwise noted)	2016 3.0 Percent change (unless otherwise noted)
US Real GDP	2017 2.2	2017 2.3
Canada Real GDP	2018 2.1	2018 2.3
Cdn 3-mth treasury bills (%)	1.0	1.3
Exch. Rate (US cents/C\$)	0.5	0.5 <sup>4</sup>
SPF 2x4s (US\$/1000 bd ft)	75.5	75.6 <sup>4</sup>

## Provincial Key Economic Indicators

	Data to:	Retail Sales <sup>2</sup>	Housing Starts <sup>5</sup>	Non-Res. Building Permits <sup>2</sup>	Exports <sup>5</sup>	Manuf. Ships <sup>2</sup>	Employ. <sup>2</sup>	Unemploy. Rate <sup>2A</sup>	Avg. Weekly Wage Rate <sup>6</sup>	Consumer Price Index <sup>6</sup>	Real GDP Forecast <sup>7</sup> for 2016	Real GDP Forecast <sup>7</sup> for 2017	Real GDP Forecast <sup>7</sup> for 2018
British Columbia (rank in parentheses)													
Alberta	Oct	+6.6 (1)	+33.7 (1)	-5.2 (7)	-7.7 (1)	+3.2 (4)	+3.0 (1)	6.0 (1)	+0.7 (8)	+1.9 (3)	3.0 (1)	2.2 (1)	2.2 (2)
Saskatchewan	Nov	-1.9	-34.4	-7.1	-17.0	-11.1	-1.8	8.1	+0.6	+1.1	-2.7	2.0	2.3
Manitoba	Dec	+0.7	-5.7	-41.4	-20.1	-1.3	-0.9	6.3	+3.0	+1.1	-0.5	1.7	2.0
Ontario	Oct	+5.0	-4.5	+29.5	-2.1	+0.9	-0.5	6.1	+1.8	+1.3	2.0	1.9	2.0
Quebec	Nov	+5.0	+6.9	-1.7	+5.6	+4.6	+1.1	6.6	+2.2	+1.8	2.6	2.2	2.1
New Brunswick	Dec	+4.2	+5.6	-1.5	-1.8	-1.7	+0.9	7.1	+3.4	+0.7	1.6	1.6	1.6
Nova Scotia	Oct	+3.6	-6.5	+19.7	-13.1	-5.7	-0.2	9.6	+1.5	+2.2	0.4	0.8	0.8
Prince Edward Island	Nov	+4.3	-3.5	-3.5	-2.5	+4.6	-0.4	8.4	+2.9	+1.2	1.3	1.2	1.2
Newfoundland & Labrador	Dec	+6.3	+0.9	+0.5	+2.0	+6.3	-2.2	10.3	+1.0	+1.2	1.2	1.1	1.2
Canada	Oct	+1.4	-15.9	-27.8	-10.0	-21.4	-1.3	13.4	-1.1	+2.6	-0.5	-1.3	0.0
	Nov	+3.8	+2.5	-3.9	-2.9	+0.4	+0.7	7.0	+1.9	+1.4	1.3	1.9	2.0

<sup>1</sup> Compares the average of data for the four quarters of 2016 to the third quarter of 2015.

<sup>2</sup> Seasonally-adjusted data.

<sup>3</sup> Change in number of jobs over the period.

<sup>4</sup> Year-to-date unemployment rate.

<sup>5</sup> Seasonally-adjusted at annual rates.

<sup>6</sup> Not seasonally-adjusted data.

<sup>7</sup> An average of IHS Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, and CIBC.

<sup>8</sup> Average of the IHS Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, CIBC, B.C. Real Estate Association, Conference Board of Canada, Central Credit Union, Business Council of B.C., Laurentian Bank Securities, Stokes Economic Consulting, and National Bank as of November 10, 2016.

<sup>9</sup> Average of IHS Global Insight, Bank of Montreal, Scotiabank, Royal Bank, TD Bank, and CIBC as of January 3, 2017.

<sup>10</sup> Percentage point change.

is Estimate is Actual

**THE PROVINCE OF BRITISH COLUMBIA  
DRAFT DUE DILIGENCE QUESTIONS**

**Release of the 2016-17 Second Quarterly Report  
December 7, 2016**

**Economic Outlook (data as of December 6, 2016)**

**Q1) What are the major risks associated with the economic outlook? Are there any significant factors which could alter the government's projections this year or over the medium term?**

- BC's economy has experienced strong growth so far in 2016 according to some of its key indicators. Employment, retail sales and housing starts have performed better year-to-date than anticipated in the first *Quarterly Report*. Exports are also performing better than expected a few months ago.
- As is normally the case, there is no update for the economic forecast in the second *Quarterly Report*.
- The Ministry's current forecast, published in September 2016 in the first *Quarterly Report*, calls for BC's real GDP to grow by 2.7 per cent in 2016, 2.2 per cent in 2017 and 2.3 per cent over the medium-term.
  - Private sector projections for BC's economic growth have changed slightly over the last several months.
  - At the time of the first *Quarterly Report*, the private sector average – a subset of the Economic Forecast Council (EFC) that produces regular provincial forecasts – anticipated that BC's real GDP would expand by 2.9 per cent in 2016 and 2.4 per cent in 2017.
  - As of November 10, 2016, the average forecast was unchanged for 2016 and down 0.1 percentage point for 2017.
  - However, BC continues to rank first among the provinces for expected growth in 2016, and is tied for first with Ontario in 2017.
  - The Ministry of Finance forecast from the first *Quarterly Report* for BC economic growth of 2.7 per cent in 2016 and 2.2 per cent in 2017 remains prudent compared to the current average private sector outlook.
- The Minister of Finance met with the EFC on November 25, 2016 to seek their advice prior to next year's provincial budget. On average, the council is forecasting BC real GDP to grow by 3.0 per cent in 2016, and 2.3 per cent in both 2017 and 2018. The EFC projects BC's real GDP will grow by an average of 2.2 per cent annually for the 2019 to 2021 period. The Ministry will consider that advice and present an updated economic forecast in *Budget 2017*.
- Details of the Ministry of Finance economic forecast are provided in the tables on pages 39 to 41 of the 2016 first *Quarterly Report* document.

## DUE DILIGENCE CALL – SECOND QUARTERLY REPORT (December 2016)

- For further information on BC's year-to-date economic performance, as well as on the external environment and financial markets, refer to pages 27 to 39 of the second *Quarterly Report*.

Risks to the BC economic outlook continue to be weighted to the downside. The main risks to the current outlook include the following:

- Potential for a slowdown in **domestic and Canadian** economic activity.
  - The private sector outlook for Canada was lowered from earlier this year, as real GDP contracted in the second quarter, partially due to ongoing weakness in the energy sector and the effects of the Fort McMurray wildfire.
  - In October, the Bank of Canada downgraded its outlook for Canadian economic growth in 2016 and 2017, citing sluggish exports as well as restrained residential investment and resale activity following the federal government's recently announced housing measures.
  - More recent data show that Canadian real GDP rebounded in the third quarter, growing at an annualized rate of 3.5 per cent – a positive sign for the Canadian economy.
- Renewed weakness in the **US** economy, particularly as interest rates increase.
  - The US economy experienced moderate growth in the first two quarters of 2016 before accelerating in the third quarter.
  - There are downside risks that weak global markets and uncertainty over the outcome of the presidential election will weigh on the US economy.
  - There is added uncertainty about the new US administration's policies (e.g. their effect on trade agreements, softwood lumber negotiations, etc).
- Fragility in **Europe** as governments and the financial system deal with elevated sovereign debt alongside weak economic growth and uncertainty associated with Brexit.
  - High unemployment, low inflation, ongoing sovereign debt issues, and the uncertainty associated with Brexit (which is expected to weigh on business and consumer sentiment) continue to cloud the outlook for the euro zone.
- Slower than anticipated economic activity in **Asia**, particularly in China, resulting in weaker demand for BC's exports and downward pressure on global commodity prices.
  - **China** is transitioning to slower growth, following double-digit growth rates in the previous decade. The Consensus outlook improved somewhat through the year, as reported quarterly real GDP growth has been within the 6.5 to 7.0 per cent growth target adopted in China's 2016-2020 Five Year Plan (released in November 2015).
  - The outlook for **Japan** this year reflects the underperformance of Japan's economy. On June 1st, 2016, Japan announced that the planned increase to the consumption tax rate next year has been delayed until October 2019 given the weak economy. As such, the outlook for 2017 is slightly higher than expected back in January.
- Weaker than expected **inflation**.
- **Exchange rate** uncertainty.

# **Economic Forecast Council**

November 25, 2016

## **Summary of Medium-term Issues**

s.13,s.16

### 3. US economy:

- Impact of new Administration on:
  - Economic growth
  - Trade agreements
  - Interest/exchange rates

s.13,s.16

## **Economic Forecast Council**

November 25, 2016

### **Summary of Forecast Comments**

s.13,s.16

#### Forestry Outlook

- Risks are weighted to the downside given the considerable uncertainty surrounding the Softwood Lumber Agreement expiration, change in US Administration, and supply constraints.

s.13,s.16

**Ringma, Shalegh FIN:EX**

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**From:** Skillings, Chris FIN:EX  
**Sent:** Wednesday, November 16, 2016 4:37 PM  
**To:** Riley, Dave FIN:EX; MacLean, Shelley FIN:EX  
**Cc:** Galbraith, David J FIN:EX; Riley, Dave FIN:EX; Chandler, Alex FIN:EX; Myers, Sam FIN:EX  
**Subject:** Market Update # 2 - One Week After Trump Victory  
**Attachments:** Briefing Note 2- Trump Election Win-Nov 16 2016.docx

Riley,

As discussed, attached find an information note from Provincial Treasury for inclusion with the Q2 materials.

Thanks,  
Chris

## Ministry of Finance

## BRIEFING DOCUMENT

**To:** Michael de Jong  
Minister of Finance

**Initiated by:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Date Prepared:** November 16, 2016

**Ministry Contact:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Phone Number:** 250 387 8815  
**Email:** sam.myers@gov.bc.ca

**Cliff #:**

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**TITLE:** Market Reaction to Trump Victory in US Election – Update # 2

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**PURPOSE:****(X) FOR INFORMATION**

For the purpose of determining the market reaction one week after Donald Trump's victory

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**COMMENTS:**

Provincial Treasury continues to closely monitor the financial markets (government bond yields, spreads, short term rates, equities, and exchange rates) and provides the following comments as of the morning of November 16. Our commentary is focused on current market conditions compared to the time period just before the US election results were announced. Overall, concerns about Trump's economic policy being very inflationary have fueled higher yields in the bond market and a stronger US\$ versus other major currencies.

*Bond Yields and Spreads:*

- Canadian bond yields are up 27 bps in the long end and 30 bps in the 10 year term (compared to 6 bps higher in the long end and 3 bps in the 10 year term on Nov 9)
- US Treasury yields are up about 33 bps in the long end and 41 bps in the 10 year term (compared to 16 bps higher in the long end and 11 bps in the 10 year term on Nov 9)



- Provincial spreads are about 1 to 2 bps tighter
- Canadian short term rates are wider by about 5 bps for 3 month and 6 month terms and 2 bps wider for the 12 month term
- US LIBOR is wider by about 2 bps for 3 month and 6 month terms and 4 bps wider for 12 month term
- BC spreads versus Ontario are relatively unchanged

*Bond Liquidity:*

- BC bonds are marginally better bid versus Ontario and other provinces

*Equities:*

- Dow Jones index is up around 610 points
- TSX is up around 140 points

*Currency Markets:*

- Canadian dollar is weaker by about 1 cent vs the US\$
- USD versus Euro - €0.0308 higher
- USD versus Pound - £0.013 higher
- USD versus Yen - ¥5.06 higher

**NEXT STEPS:**

Continue to closely monitor financial markets over the coming days and look at windows for new debt issuance after Second Quarter results are announced.

## Ringma, Shalegh FIN:EX

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**From:** Cholette, Frank FIN:EX  
**Sent:** Wednesday, November 16, 2016 3:40 PM  
**To:** Mentzelopoulos, Athana FIN:EX; Galbraith, David J FIN:EX; Mirza, Sadaf FIN:EX; Edwardson, Jamie GCPE:EX  
**Cc:** Hopkins, Jim FIN:EX  
**Subject:** Trump Impact - Policy Platform Review  
**Attachments:** DM Overview\_Trump file Nov 14.pdf

Athana,

As per the brief discussion yesterday at the risk committee overview, please note the attached update on the vision of "Trump-o-nomics". Instead of highlighting the perceived impact of newly elected President Trump on global market tone, I am providing a different perspective.

The attached note is intended to focus on Trumps' policy platform, including his vision and citations on the main sectors (such as economy, regulation, trade, energy, etc..) and the possible contagion effect on the capital markets and potential impact to the Province of BC's future debt issuance and derivative trading activities.

Any questions let me know.

Frank Cholette  
Director, Risk and Performance Measurement  
Debt Management Branch | Provincial Treasury  
Province of British Columbia

Tel: (250) 387-7138  
Cell: (250) 216-9173

[Frank.cholette@gov.bc.ca](mailto:Frank.cholette@gov.bc.ca)

# President Donald Trump – Policy Platform Review

## BC PROVINCIAL TREASURY DEBT MANAGEMENT BRANCH MEMO

November 14<sup>th</sup> 2016

### BACKGROUND

Republican candidate Donald Trump was elected as the 45<sup>th</sup> president of the United States on November 8<sup>th</sup> 2016, defeating Democratic candidate Hillary Clinton. Trump secured 279 Electoral College votes (Clinton 228) to win the election, although Clinton captured the popular vote by winning 60.1 million vs. Trump's 59.8 million votes. Trump will take office on January 20<sup>th</sup> 2017.

This memo highlights elements of the Republican Party's policy platform as well as points of emphasis by President Trump that may have relevance to the future market tone, potentially impacting the Province of British Columbia's future debt issuance and derivatives trading activities.

### ECONOMIC OUTLOOK

Now that the election results are known, a key question being asked is *what will happen to the US economy?* The feared "panic reaction" in the markets espoused by some commentators didn't materialize following Trump's victory. Instead, the Standard and Poor's 500 Index increased ~4%, Treasury bond yields increased by ~40 basis points (>7yr issues), and measures of volatility fell.<sup>1</sup>

*Standard & Poor's 500 Index, Nov 4-14 2016 (Source: Bloomberg)*

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The challenge for analysts is that Trump has made impassioned comments about inflationary spending policies and executing sweeping regulatory and policy changes but has offered little practical detail, especially as it pertains to financial regulation reform. Despite Trump's pointedness about repealing Dodd-Frank, NAFTA and the US's commitments to reduced emissions under the Paris Agreement, these are not actions he can take unilaterally or immediately. This affords opportunity for these potential changes to unfold in a more measured way than his brash campaign statements might signal would be the case. Potential legislative change aside however, it is expected that Trump will appoint "less aggressive" leaders to agencies like the Federal Reserve and Securities and Exchange Commission, achieving some of his goals through weakened regulatory enforcement.<sup>2</sup>

As for market reaction, Trump has made statements that could drive opposing effects on market behaviour and economic growth. Lower taxes on businesses, increased spending on infrastructure and defense and a relaxation of environmental and financial regulations are expected heat up the economy and expand market-making activity. But Trump has also made potentially contractionary comments about increasing interest rates and imposing limits on international trade and immigration.

Trump has also expressed overt criticism of Wall Street and the hedge fund industry for taking advantage of tax loopholes and generating profits in ways that he says have harmfully extracted

wealth from Americans. Yet his current economic advisory council draws heavily on financial industry executives associated with the strategies he has chastised in his campaign, including Steven Feinberg, John Paulson, Harold Hamm, Andy Beal, Tom Barrack, and Steven Mnuchin. His fervour against Wall Street is not necessarily resulting in contractionary expectations, possibly because the foundation of his thinking follows traditional republican approaches that could be seen as net expansionary.

The overall 'net effect' of Trump's proposed changes on market tone is a matter of debate among analysts, and this uncertainty is intensified by the potential for radical change related to social policies, immigration, international relations, trade, and military composition that could feed into economic activity in unexpected ways.

While it is premature to articulate a detailed economic outlook for Trump's campaign, market behavior in the days following the election points to a net-positive outlook in terms of economic growth. The New York Times reported: "Essentially, markets are signalling that investors think the Trump administration will follow through more completely on the plans that are positives for growth profits and will be more cautious on those policies that are negatives."<sup>3</sup>

For the province of British Columbia, inflationary pressures and associated increases in long term interest rates are expected to drive more costly borrowing in the near future while market access remains stable.

***Relevant excerpts from Trump's policy platform are included in the Appendix.***

## **APPENDIX:**

### **TRUMP POLICY PLATFORM EXCERPTS**

The following excerpts were selected due to their potential relevance to economic and market activity impacting the Province of British Columbia's future debt issues and derivatives activity.

Trump's platform was organized by topic area, and includes visionary statements as well as supporting citations/issues statements. Relevant excerpts were included below. The full policy platform is available online (<https://www.donaldjtrump.com/policies>) and in PDF format from the Debt Management Branch. All content was copied from the above website on 11/11/2014.

#### **Economy**

##### Trump's Vision:

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##### Trump's Citations on the US Economy:

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## Regulations

### Trump's Vision:

Copyright

### Trump's Citations:

Copyright

## Trade

### Trump's Vision:

Copyright

### Trump's Citations:

Copyright



Copyright

## **Tax Plan**

### **Trump's Vision:**

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# Infrastructure

Trump’s Vision:

Copyright

Trump’s Citations:

Copyright

# National Defense

Copyright

Copyright

## **Energy**

### **Trump's Vision:**

Copyright

### **Trump's Citations:**

Copyright

## **Immigration**

### **Trump's Vision**

Copyright

Copyright

Trump's Citations:

Copyright

Copyright

## **Healthcare**

### **Trump's Vision:**

Copyright

## **Education**

### **Trump's Vision:**

Copyright

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<sup>1</sup> What Markets are Really Telling Us About a Trump Presidency. New York Times, Nov. 12 2016.

<http://www.nytimes.com/2016/11/12/upshot/what-the-markets-are-really-telling-us-about-a-trump-presidency.html? r=0>

<sup>2</sup> Victorious Donald Trump is Devil Wall Street Doesn't Know. Bloomberg, Nov. 9 2016.

<http://www.bloomberg.com/news/articles/2016-11-09/victorious-donald-trump-is-the-devil-wall-street-doesn-t-know>

<sup>3</sup> What Markets are Really Telling Us About a Trump Presidency. New York Times, Nov. 12 2016.

<http://www.nytimes.com/2016/11/12/upshot/what-the-markets-are-really-telling-us-about-a-trump-presidency.html? r=0>

<sup>4</sup> Does Donald Trump Spell and End to Fed's Low-Rate Era? Wall Street Journal, Nov 10, 2016.

<http://www.wsj.com/articles/does-donald-trump-spell-an-end-to-feds-low-rate-era-1478775604>

## Ringma, Shalegh FIN:EX

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**From:** Myers, Sam FIN:EX  
**Sent:** Wednesday, November 16, 2016 12:43 PM  
**To:** Mentzelopoulos, Athana FIN:EX; Galbraith, David J FIN:EX  
**Cc:** Hopkins, Jim FIN:EX  
**Subject:** RE: Market Update # 2 - One Week After Trump Victory  
**Attachments:** Briefing Note 2- Trump Election Win-Nov 16 2016.docx

The Briefing Note has been updated for the Minister as per attached.

Sam

---

**From:** Mentzelopoulos, Athana FIN:EX  
**Sent:** Wednesday, November 16, 2016 12:35 PM  
**To:** Myers, Sam FIN:EX  
**Cc:** Hopkins, Jim FIN:EX; Galbraith, David J FIN:EX  
**Subject:** RE: Market Update # 2 - One Week After Trump Victory

I think it should be you

---

**From:** Myers, Sam FIN:EX  
**Sent:** Wednesday, November 16, 2016 12:33 PM  
**To:** Mentzelopoulos, Athana FIN:EX  
**Cc:** Hopkins, Jim FIN:EX; Galbraith, David J FIN:EX  
**Subject:** RE: Market Update # 2 - One Week After Trump Victory

Will do. Did you want to be the Ministry Contact or should it be myself or Jim?

Sam

---

**From:** Mentzelopoulos, Athana FIN:EX  
**Sent:** Wednesday, November 16, 2016 12:12 PM  
**To:** Myers, Sam FIN:EX  
**Cc:** Hopkins, Jim FIN:EX; Galbraith, David J FIN:EX  
**Subject:** RE: Market Update # 2 - One Week After Trump Victory

Thanks. Can you re-address this to Minister and then David, can you send it along with the Q2 materials pls?  
thanks

---

**From:** Myers, Sam FIN:EX  
**Sent:** Wednesday, November 16, 2016 9:12 AM  
**To:** Mentzelopoulos, Athana FIN:EX  
**Cc:** Hopkins, Jim FIN:EX; Galbraith, David J FIN:EX  
**Subject:** Market Update # 2 - One Week After Trump Victory

Good morning Athana,

One week after the US election, there continues to be concerns about Donald Trump's economic policy as being very inflationary. Expectations of higher US interest rates in December and beyond has resulted in bond yields increasing sharply compared to November 8.

On a positive note, equity markets remain strong both in Canada and the US.

A short Briefing Note is attached.

Sam



**Samuel Myers**

Executive Director, Debt Management Branch

Ministry of Finance – Provincial Treasury

Province of British Columbia

Phone: (250) 387-8815

Email: [Sam.Myers@gov.bc.ca](mailto:Sam.Myers@gov.bc.ca)



## Ministry of Finance

## BRIEFING DOCUMENT

**To:** Michael de Jong  
Minister of Finance

**Initiated by:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Date Prepared:** November 16, 2016

**Ministry  
Contact:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Phone Number:** 250 387 8815  
**Email:** sam.myers@gov.bc.ca

**Cliff #:**

---

**TITLE:** Market Reaction to Trump Victory in US Election – Update # 2

---

**PURPOSE:****(X) FOR INFORMATION**

For the purpose of determining the market reaction one week after Donald Trump's victory

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**COMMENTS:**

Provincial Treasury continues to closely monitor the financial markets (government bond yields, spreads, short term rates, equities, and exchange rates) and provides the following comments as of the morning of November 16. Our commentary is focused on current market conditions compared to the time period just before the US election results were announced. Overall, concerns about Trump's economic policy being very inflationary have fueled higher yields in the bond market and a stronger US\$ versus other major currencies.

*Bond Yields and Spreads:*

- Canadian bond yields are up 27 bps in the long end and 30 bps in the 10 year term (compared to 6 bps higher in the long end and 3 bps in the 10 year term on Nov 9)
- US Treasury yields are up about 33 bps in the long end and 41 bps in the 10 year term (compared to 16 bps higher in the long end and 11 bps in the 10 year term on Nov 9)

- Provincial spreads are about 1 to 2 bps tighter
- Canadian short term rates are wider by about 5 bps for 3 month and 6 month terms and 2 bps wider for the 12 month term
- US LIBOR is wider by about 2 bps for 3 month and 6 month terms and 4 bps wider for 12 month term
- BC spreads versus Ontario are relatively unchanged

*Bond Liquidity:*

- BC bonds are marginally better bid versus Ontario and other provinces

*Equities:*

- Dow Jones index is up around 610 points
- TSX is up around 140 points

*Currency Markets:*

- Canadian dollar is weaker by about 1 cent vs the US\$
- USD versus Euro - €0.0308 higher
- USD versus Pound - £0.013 higher
- USD versus Yen - ¥5.06 higher

**NEXT STEPS:**

Continue to closely monitor financial markets over the coming days and look at windows for new debt issuance after Second Quarter results are announced.

## Ringma, Shalegh FIN:EX

---

**From:** Myers, Sam FIN:EX  
**Sent:** Wednesday, November 16, 2016 9:12 AM  
**To:** Mentzelopoulos, Athana FIN:EX  
**Cc:** Hopkins, Jim FIN:EX; Galbraith, David J FIN:EX  
**Subject:** Market Update # 2 - One Week After Trump Victory  
**Attachments:** Briefing Note 2- Trump Election Win-Nov 16 2016.docx

Good morning Athana,

One week after the US election, there continues to be concerns about Donald Trump's economic policy as being very inflationary. Expectations of higher US interest rates in December and beyond has resulted in bond yields increasing sharply compared to November 8.

On a positive note, equity markets remain strong both in Canada and the US.

A short Briefing Note is attached.

Sam



**Samuel Myers**

Executive Director, Debt Management Branch  
Ministry of Finance – Provincial Treasury  
Province of British Columbia  
Phone: (250) 387-8815  
Email: [Sam.Myers@gov.bc.ca](mailto:Sam.Myers@gov.bc.ca)

## Ministry of Finance

## BRIEFING DOCUMENT

**To:** Athana Mentzelopoulos  
Deputy Minister

**Initiated by:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Date Prepared:** November 16, 2016

**Ministry Contact:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Phone Number:** 250 387 8815  
**Email:** sam.myers@gov.bc.ca

**Cliff #:**

---

**TITLE:** Market Reaction to Trump Victory in US Election – Update # 2

---

**PURPOSE:****(X) FOR INFORMATION**

For the purpose of determining the market reaction one week after Donald Trump's victory

---

**COMMENTS:**

Provincial Treasury continues to closely monitor the financial markets (government bond yields, spreads, short term rates, equities, and exchange rates) and provides the following comments as of the morning of November 16. Our commentary is focused on current market conditions compared to the time period just before the US election results were announced. Overall, concerns about Trump's potential economic policy being very inflationary have fueled higher yields in the bond market and a stronger US\$ versus other major currencies.

*Bond Yields and Spreads:*

- Canadian bond yields are up 27 bps in the long end and 30 bps in the 10 year term (compared to 6 bps higher in the long end and 3 bps in the 10 year term on Nov 9)
- US Treasury yields are up about 33 bps in the long end and 41 bps in the 10 year term (compared to 16 bps higher in the long end and 11 bps in the 10 year term on Nov 9)

- Provincial spreads are about 1 to 2 bps tighter
- Canadian short term rates are wider by about 5 bps for 3 month and 6 month terms and 2 bps wider for the 12 month term
- US LIBOR is wider by about 2 bps for 3 month and 6 month terms and 4 bps wider for 12 month term
- BC spreads versus Ontario are relatively unchanged

*Bond Liquidity:*

- BC bonds are marginally better bid versus Ontario and other provinces

*Equities:*

- Dow Jones index is up around 610 points
- TSX is up around 140 points

*Currency Markets:*

- Canadian dollar is weaker by about 1 cent vs the US\$
- USD versus Euro - €0.0308 higher
- USD versus Pound - £0.013 higher
- USD versus Yen - ¥5.06 higher

**NEXT STEPS:**

Continue to closely monitor financial markets over the coming days and look at windows for new debt issuance after Second Quarter results are announced.

## Ringma, Shalegh FIN:EX

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**From:** Myers, Sam FIN:EX  
**Sent:** Wednesday, November 9, 2016 8:32 AM  
**To:** Mentzelopoulos, Athana FIN:EX  
**Cc:** Hopkins, Jim FIN:EX; Galbraith, David J FIN:EX; Lewis, Jason FIN:EX  
**Subject:** Market Reaction to Trump Victory  
**Attachments:** Briefing Note - Trump Election Win-Nov 9 2016.docx

Good morning Athana,

Provincial Treasury has been closely monitoring the markets and provides a brief summary on bond yields and spreads, bond liquidity, equities and currency markets. In summary, there is relative stability in the markets.

Please see attached Briefing Note.

Sam



**Samuel Myers**

Executive Director, Debt Management Branch  
Ministry of Finance – Provincial Treasury  
Province of British Columbia  
Phone: (250) 387-8815  
Email: [Sam.Myers@gov.bc.ca](mailto:Sam.Myers@gov.bc.ca)

## Ministry of Finance

## BRIEFING DOCUMENT

**To:** Athana Mentzelopoulos  
Deputy Minister

**Initiated by:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Date Prepared:** November 9, 2016

**Ministry  
Contact:** Samuel Myers  
Executive Director,  
Debt Management Branch

**Phone Number:** 250 387 8815  
**Email:** sam.myers@gov.bc.ca

**Cliff #:**

---

**TITLE:** Market Reaction to Trump Victory in US Election

---

**PURPOSE:**

**(X) FOR INFORMATION**

For the purpose of determining the market reaction in the aftermath of Donald Trump's victory

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**COMMENTS:**

Provincial Treasury is closely monitoring the financial markets (government bond yields, spreads, short term rates, equities, and exchange rates and provides the following comments as of 8 am Pacific time.

*Bond Yields and Spreads:*

- Canadian bond yields are up 6 bps in the long end and 3 bps in the 10 year term
- US Treasury yields are up about 16 bps in the long end and 11 bps in the 10 year term
- Provincial spreads are generally wider by about 1 bps
- Canadian short term rates are relatively unchanged out to 1 year
- US LIBOR is relatively unchanged
- BC spreads versus Ontario are relatively unchanged

*Bond Liquidity:*

- Trading volumes are brisk for Canada bonds and a little slower for provincials as of early morning

*Equities:*

- Despite steep declines in the overnight futures markets immediately after the Trump victory, equities have rebounded
- Dow Jones index is up around 103 points
- TSX is up around 70 points

*Currency Markets:*

- Canadian dollar is moderately weaker by about 1 cent vs the US\$
- Mexican peso is down sharply

**NEXT STEPS:**

Further update to be provided later today and over the coming days



## Confirmation Hearing for Wilbur Ross, Nominee for Secretary of Commerce

January 18<sup>th</sup>, 2017

### Mandate: Department of Commerce

The mission of the Department is to create the conditions for economic growth and opportunity and promotes international trade, economic growth, and technological advancement. DOC roles important to British Columbia include the Department's International Trade division, which is responsible for promoting US exports, including monitoring and enforcement of trade deals with trade partners. The work and activities of NOAA (National Oceanic and Atmospheric Administration), which includes NOAA Fisheries, influence policies on the atmosphere, marine environment, coastal areas, fish conservation, and other areas important to British Columbia as a coastal province.

The DOC administers the Bureau of the Census, the Bureau of Economic Analysis, the National Oceanic and Atmospheric Administration (which includes NOAA Fisheries), the National Weather Service, the U.S. patent and trademark office, the National Institute of Standards and Technology, and other agencies.

### Bio

79-year-old Wilbur Ross was born in New Jersey but is now a resident of Florida. He was educated at Yale (B.A.) and got his M.B.A. with distinction from Harvard (School of Finance and Business Studies).

In 1976, he joined Rothschild as a bankruptcy specialist and was involved in reorganizing companies like Texaco, Drexel Burnham Lambert, Public Service of New Hampshire, Eastern Air Lines and in 1991, Donald Trump's Atlantic City casino the Taj Mahal. In ensuing years, Ross purchased and restructured or merged/acquired/created the Rothschild equity fund, the International Steel Group, the International Coal Group, and the International Textile Group.

In August, 2016, his equity firm, W.L. Ross & Co. was fined \$2.3 million for failing to disclose its fees.

Ross has pledged to be 'scrupulous' about recusing himself in any matters which might pertain to the assets he will keep after being confirmed.

### Confirmation Hearing

#### Role

- The president elect signalled that Secretary of Commerce will be the lead on trade – a role usually filled by the United States Trade Representative. Ross said he would work closely with the USTR and trade advisory committees to develop trade policy.
- *Note: The US Constitution gives Congress the power to regulate trade. The legislature regularly delegates that authority to presidents, doing so most recently in June 2015. But it also has rejected repeated attempts by presidents to fold the office of the USTR into the commerce department or otherwise reorganise the bureaucratic structures.[ Financial Times.]*

### **Policies**

- He is not anti-trade; he is pro 'sensible' trade i.e. trade that does not disadvantage workers and manufacturers. There will be access to US markets for countries who 'play fair, play by the rules and give everyone a chance to compete'
- 'Those who do not play fair should be 'punished severely' but so far no details on what constitutes 'playing fair' or what 'punished severely' means.
- Singled out China as the 'most protectionist' country but did not elaborate on measures he would suggest to deal with China.
- Agrees tariffs can be used to 'punish offenders, but, asked about the '35% tariff' the president-elect has suggested, agreed that the Smoot-Hawley approach (In 1930, Congress slapped tariffs on all countries that shipped goods to America in an effort to shield U.S. workers) did not work well and wouldn't be expected to work well now.

### **Priorities**

- First priority and preferred option to resolve US trade deficits will be to expand US exports.
- Believes US growth can reach 3% through
  - regulatory reform
  - energy self-sufficiency
  - increasing exports
  - building/repairing infrastructure

### **Trade Agreements**

- NAFTA is 'logically the first thing for us to deal with'; it is necessary to 'solidify relationships in our own territory' first. 'I think all aspects of NAFTA will be put on the table.'
- Did not mention the concerns he has with Canada, but did state that cheap labour and lax environmental standards in Mexico are a concern.
- Easier to do bilateral than multilateral agreements
- *Note: In October, Ross told the Business News Network that the president-elect rarely mentions Canada in terms of trade, likely because Canada's surplus is with the US is 'infinitely smaller' since NAFTA.*
- Liked TPP at first but not happy with the rules of origin for automobiles in particular.
- *Note: According to the Financial Times, Ross has been an outspoken critic of past trade agreements and has argued that the US could better use its leverage as a major consumer market to force countries to buy more US goods to help narrow the trade deficit. "Free trade doesn't mean dumb trade," he told the FT in a recent interview. "We should treat ourselves as the world's biggest customer and treat nations that are selling to us as suppliers to us."*

### **Protection**

- Supports 'Buy America' but would not guarantee insisting on it in trade deals; suggested quid pro quo may be more desirable.

***Climate Science***

- Supports scientists and their work and will not interfere.

***Further analysis/Reading***

Trump's Commerce Pick Signals Plan to Launch NAFTA Talks Early

Trump administration will press Canada, Mexico to reopen NAFTA

## Sime, Mark FIN:EX

---

**From:** Sime, Mark FIN:EX  
**Sent:** Wednesday, February 1, 2017 3:45 PM  
**To:** MacDonald, Aaron HLTH:EX  
**Cc:** Reed, Matt FIN:EX  
**Subject:** RE: Executive Order - Enhancing Public Safety in the Interior of the United States

Hello Aaron,

Please see our analysis below. As we discussed, you will likely want to run this through your legal to ensure we haven't missed anything here. If possible, could you please copy myself, Matt Reed or Sharon Plater on what ends up being the final product?

### **Analysis on the implications of the USA Executive Order - Enhancing Public Safety in the Interior of the United States**

On January 25, 2016, US President Donald Trump, signed an Executive Order directing US executive departments and agencies (agencies) to employ all lawful means to enforce the immigration laws of the United States. The order states that "Although Federal immigration law provides a framework for Federal-State partnerships in enforcing our immigration laws to ensure the removal of aliens who have no right to be in the United States, the Federal Government has failed to discharge this basic sovereign responsibility." "Many aliens who illegally enter the United States and those who overstay or otherwise violate the terms of their visas present a significant threat to national security and public safety. This is particularly so for aliens who engage in criminal conduct in the United States."

This Order has garnered a great deal of international attention, while those in the privacy community have taken notice of a particular section within the Executive Order which will have some impact:

***Sec. 14. Privacy Act. Agencies shall, to the extent consistent with applicable law, ensure that their privacy policies exclude persons who are not United States citizens or lawful permanent residents from the protections of the Privacy Act regarding personally identifiable information.***

As it was written in 1974, the US *Privacy Act* did not extend its privacy protections to non-US citizens. The purpose of the Act is stated as: to "balance the government's need to maintain information about individuals with the rights of individuals to be protected against unwarranted invasions of their privacy". The Act defines an individual as "a citizen of the US, or an alien lawfully admitted to for permanent residence." In 2007 however, the US Department of Homeland Security (DHS) issued a policy which extended these protections to any personally identifiable information, regardless of whether the information pertains to a US citizen, legal permanent resident, visitor or alien. As this policy only applied to data held by the DHS, the effects of this policy was limited, but it was a small concession to complaints that the privacy rights of non-citizens were being ignored. This policy and those similar can now be considered nullified, as President Trump's order explicitly excludes any extension of privacy rights to those who are not citizens or legal residents. Information shared with any US agency can now be lawfully shared with any other agency if deemed necessary.

s.13

British Columbians benefit from a robust collection of data-residency requirements within the *Freedom of Information and Protection of Privacy Act* (FOIPPA), which helps to ensure that BC's personal information remains outside the grasp of foreign agencies. These provisions were added to FOIPPA in 2004 in response to the 2001 *USA Patriot Act*, which provided the US Federal Bureau of Investigation with the authority to conduct electronic surveillance and access business records within the United States. The enactment of the *USA Patriot Act*, which has since been replaced by the *USA Freedom Act*, generated a great deal of concern throughout

the international privacy community, as it meant that any entity using data services within the US, became vulnerable to this new authority for accessing information. It is understood that any information residing in the US would be subject to that jurisdiction's law. It is for this reason, that BC has restricted when information can cross over the border. FOIPPA's data-residency requirements, which appear primarily in sections 30.1 and 33.1 establish that a public body must ensure that personal information in its custody and under its control can only be stored, accessed or disclosed within Canada, unless specific conditions are met, as outlined in the Act. In addition, the requirements dictate that a contractor or service provider must adhere to these provisions as if they were an employee of a public body itself. These provisions remain the most robust data residency protections in Canada, with only one other province limiting, to a lesser degree than BC, foreign disclosures in law. These provisions will continue to ensure that the personal information which is entrusted to the BC Government will remain safely within Canadian borders and under BC's control and protection as much as is reasonably possible.

Thank you,

**Mark Sime**

Senior Advisor – Strategic Privacy, Legislation and Training  
Privacy, Compliance and Training Branch  
Ministry of Finance  
[Mark.Sime@gov.bc.ca](mailto:Mark.Sime@gov.bc.ca)  
250 356-8331

*The content of this email does not represent legal advice*

---

**From:** MacDonald, Aaron HLTH:EX  
**Sent:** Monday, January 30, 2017 4:09 PM  
**To:** Sime, Mark FIN:EX  
**Subject:** RE: Executive Order - Enhancing Public Safety in the Interior of the United States

Hi Mark  
Apologies meant to send this over earlier – it's a brief, informal discussion of the issue by the National Privacy Coalition. Unlikely anything you can use, but just in case...  
Have a great night,

**Aaron MacDonald**  
Manager, Privacy Operations  
250 387-2334

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---

**From:** Sime, Mark FIN:EX  
**Sent:** Monday, January 30, 2017 3:22 PM  
**To:** MacDonald, Aaron HLTH:EX  
**Subject:** RE: Executive Order - Enhancing Public Safety in the Interior of the United States

Hi Aaron,

I just wanted to give you the heads up that upon further research, my findings have changed somewhat. In our initial conversation <sup>s.13</sup> What I've found

since our talk is that the Department of Homeland Security released a policy in 2007 which extended some of the privacy protections to non-US citizens. This Executive Order effectively ensures that policies, such as the one I just mentioned, no longer cover those who are not US citizens.

s.13

s.13 I will send you something as soon as its ready, but wanted to loop you in, as I know you've already spoken to Mariana.

Mark

---

**From:** MacDonald, Aaron HLTH:EX  
**Sent:** Monday, January 30, 2017 2:26 PM  
**To:** Sime, Mark FIN:EX  
**Subject:** RE: Executive Order - Enhancing Public Safety in the Interior of the United States

Hi Mark  
Thanks again for the chat earlier.

Just an update that I briefed Mariana on what we discussed and she is supportive, but the decision on whether or not to engage legal services is pending.

Cheers,

**Aaron MacDonald**  
Manager, Privacy Operations  
250 387-2334

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---

**From:** Sime, Mark FIN:EX  
**Sent:** Monday, January 30, 2017 12:34 PM  
**To:** MacDonald, Aaron HLTH:EX  
**Subject:** RE: Executive Order - Enhancing Public Safety in the Interior of the United States

Hi Aaron,

Can I give you a shout around 1:30?

Mark

---

**From:** MacDonald, Aaron HLTH:EX  
**Sent:** Monday, January 30, 2017 11:40 AM  
**To:** Reed, Matt FIN:EX; Sime, Mark FIN:EX  
**Cc:** Diacu, Mariana HLTH:EX; Plater, Sharon FIN:EX  
**Subject:** FW: Executive Order - Enhancing Public Safety in the Interior of the United States

Hi Matt and Mark  
Glad to hear we'll be joining forces on this. Let me know how you'd like to proceed – happy to set up a quick phone call / meeting.

Thanks,

**Aaron MacDonald**  
Manager, Privacy Operations  
250 387-2334

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---

**From:** Reed, Matt FIN:EX  
**Sent:** Monday, January 30, 2017 8:52 AM  
**To:** Plater, Sharon FIN:EX; Diacu, Mariana HLTH:EX  
**Cc:** Sime, Mark FIN:EX  
**Subject:** RE: Executive Order - Enhancing Public Safety in the Interior of the United States

Hi Mariana,

Thanks for the opportunity to talk about Trump for work purposes...never dull in privacy-land.

Mark will be on this file with me – can you please connect us with those on your team that are looking into this, so we can figure out the best route forward?

Thanks,

-m

---

**From:** Plater, Sharon FIN:EX  
**Sent:** Sunday, January 29, 2017 3:09 PM  
**To:** Diacu, Mariana HLTH:EX  
**Cc:** Reed, Matt FIN:EX  
**Subject:** Re: Executive Order - Enhancing Public Safety in the Interior of the United States

For sure. Matt and his team will lead.

Sent from my iPhone

On Jan 29, 2017, at 1:00 PM, Diacu, Mariana HLTH:EX <[Mariana.Diacu@gov.bc.ca](mailto:Mariana.Diacu@gov.bc.ca)> wrote:

Hi Sharon,

Would your team do any analysis on the implications of the USA Executive Order - Enhancing Public Safety in the Interior of the United States that will significantly affect the privacy practices of U.S. agencies with regard to the personal data of noncitizens? While this seems to have an impact on law enforcement agencies, my DM wants to know the implications for BC. I will start working with my team on this, but wondered if we could join efforts.

Mariana