

Monthly Market Snapshot

August 2018

Monthly Overview

Most equity markets ended up in positive territory by the end of July, with the exception of Asia, as the escalation in the burgeoning trade war between the U.S. and China took center stage last month. Canadian stocks were mildly higher, as the S&P/TSX Composite showed a 1.1% gain. Industrials and Telecom were the top Canadian sectors, with respective gains of 4.8% and 3.8%. Health Care saw the biggest drop, falling 8.8%, with weed stocks reversing their gains from previous months. The two biggest sectors in the index, financial services and energy, managed gains of 2.6% and 1.0%, respectively.

The U.S. market had a solid July despite weakness toward the end of the month within the technology sector, which represents close to a quarter of the S&P 500's market value. The index moved higher by 2.6% on the month (returns in this paragraph are in CAD), with all sectors in the black, led by Industrials and Health Care, up 6.2% and 5.5%, respectively. The tech sector, which has been leading the market since late 2016, had subdued performance in July amidst heavy selling, along with softer than expected earnings releases from heavyweights Facebook, Netflix and Twitter. The sector ended up the month gaining 1.0%.

With the ongoing trade war between the world's two biggest economies, July saw underperformance within China and Asian markets in general. This despite solid gains in other markets abroad, with the MSCI EAFE index adding 1.4% for the month. European stocks did well, with the

MSCI Europe index gaining 2.3%. Meanwhile, the MSCI Emerging Market index was higher by 1.2% this month.

Government bond yields surged in July, following higher than expected inflation, which led to underperformance for most fixed income benchmarks. The 10-year U.S. Treasury yield rose to hover close to 3% at the end of the month.

Commodities stumbled across the board in July. Crude prices dropped 7.3% and natural gas prices fell 4.9%. Precious metals retreated with the price of gold ending the month 2.5% lower.

Bank of Canada Governor Stephen Poloz brushed aside concerns about trade wars and pressed ahead with a fresh interest rate increase of a quarter point to 1.50%. The BoC forecast growth will average 2% over the next three years, slightly higher than what officials believe is the economy's long-term sustainable pace. The loonie appreciated versus the greenback on a month-over-month basis by 1.2%, as Canada's annual inflation rate surged to a six year high.

Consumer spending propelled U.S. economic growth to a 4.1% pace in the second quarter, the fastest since 2014. The U.S. Federal Reserve's path remained steady though, as it kept its federal funds rate unchanged, but with expectations of continued quarterly increases for the remainder of the year. Combined with the Fed steadily reducing its bond purchases to shrink its balance sheet, monetary policy will slowly reduce the amount of stimulus for the economy.

James Gauthier, CFA
Head of Funds Research

Edmund Fernandez, CFA, CIM
Senior Product Analyst

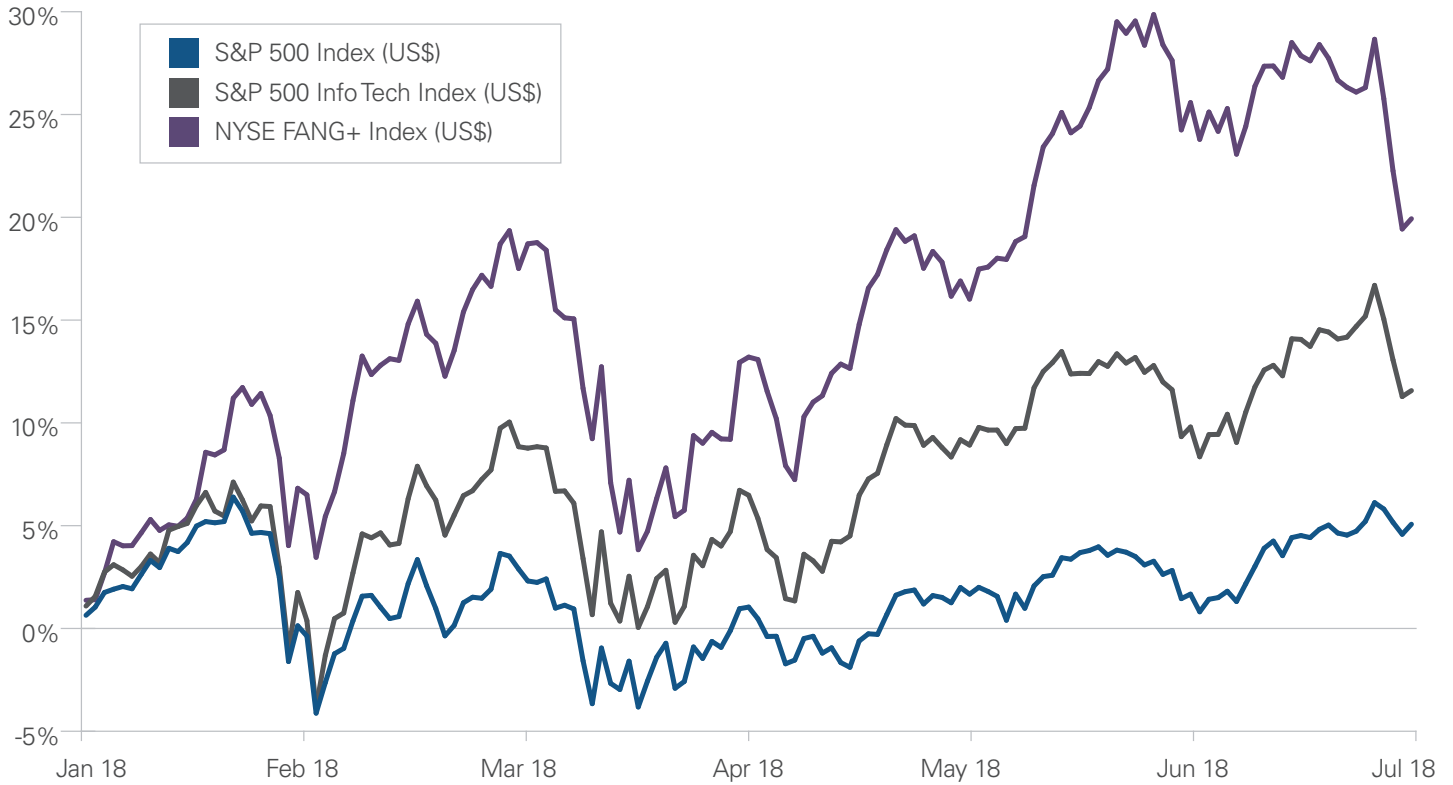
Corey Hurwitz, MBA
Senior Product Analyst

Monthly Market Statistics

Data to July 31, 2018, unless otherwise indicated

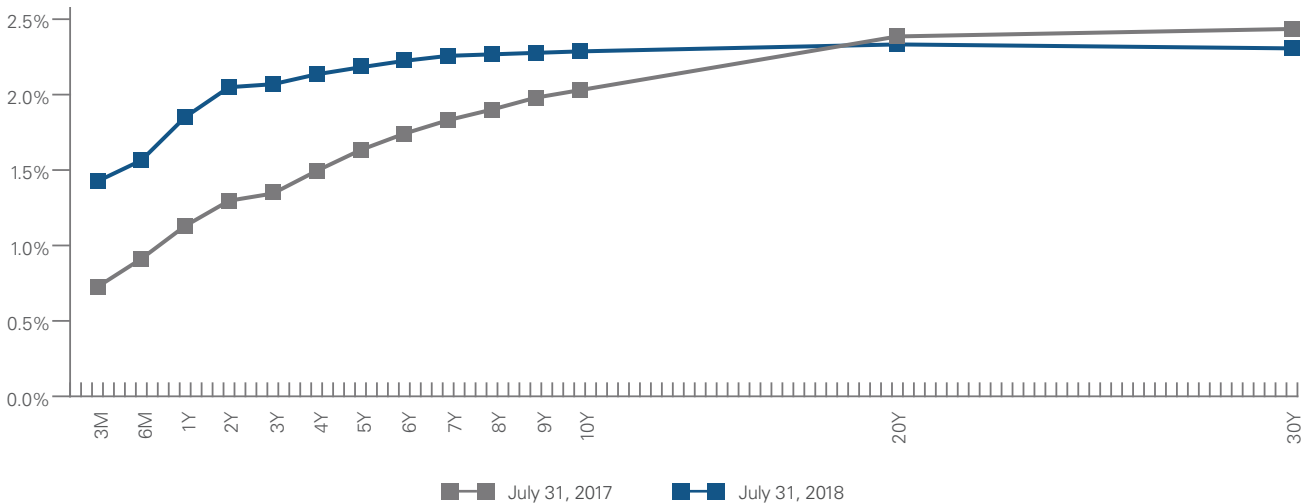
With the U.S. technology sector making up close to a quarter of the S&P 500's market value, its not hard to see that the increasingly volatile returns from this sector have been driving the overall performance of the index thus far this year. The last two months have been particularly erratic, with softer than expected earnings coming in from some of the FANG stocks in July.

Chart of the Month: U.S. Technology sector driving overall performance



Source: Bloomberg

Canadian Sovereign Yield Curve



Source: Bloomberg

Monthly Market Statistics

Data to July 31, 2018, unless otherwise indicated

Equity Index Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
S&P/TSX Composite	1.1	6.1	4.6	3.1	11.7	7.5	8.8	7.1
S&P/TSX Small Cap	-1.0	0.4	-0.6	-2.7	4.2	8.2	5.3	13.6
S&P 500	2.6	8.4	6.4	10.6	21.1	12.4	18.5	10.1
MSCI EAFE	1.4	0.5	0.6	3.9	11.4	5.5	11.6	12.0
MSCI World	2.1	5.3	4.2	7.9	17.2	9.5	15.4	10.4
MSCI World Small Cap	0.2	5.2	6.3	8.2	18.9	11.2	16.5	10.8
MSCI Europe	2.3	0.7	1.0	4.2	10.5	4.9	11.1	14.9
MSCI EM	1.2	-4.0	-6.8	-0.8	9.1	9.3	10.7	15.8
MSCI AC Asia	-0.2	-1.9	-2.6	1.4	11.6	8.5	13.0	13.0

Source: Bloomberg

Fixed Income Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
FTSE TMX Canada Universe Bond	-0.7	0.6	0.7	-0.1	2.0	1.2	3.3	3.3
Barclays Global Agg	-1.2	0.1	2.7	2.2	3.7	2.4	6.1	4.8
Barclays High Yield Very Liquid Index	0.2	3.0	6.2	4.8	6.0	5.0	9.4	5.6

Source: Bloomberg

Commodity Prices (Prices and Returns in USD)

Commodity	07/31/2018 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	68.76	-7.3	37.1
Natural Gas/mmBTU	2.78	-4.9	-0.4
Copper/pound	2.83	-4.0	-2.1
Silver/oz	15.56	-3.4	-7.3
Gold/oz	1223.70	-2.5	-3.4

Source: Bloomberg

Economic Data

Canada	
Real GDP - Q1 (q/q ann. % change)	1.3
Consumer Prices May (y/y % change)	2.5
Unemployment Rate, July '18	6.0
United States	
Real GDP - Q1 (q/q ann. % change)	4.1
Consumer Prices May (y/y % change)	2.9
Unemployment Rate, July '18	3.9

Source: Bloomberg, Stats Canada

One Month Sector Returns (% in CAD)

Sector	S&P/TSX Composite	S&P 500
Consumer Discretionary	-0.2	0.8
Consumer Staples	0.9	3.0
Energy	1.0	0.4
Financials	2.6	4.2
Health Care	-8.8	5.5
Industrials	4.8	6.2
Info Tech	-2.1	1.0
Materials	-4.0	1.9
Real Estate	1.9	0.0
Telecom Services	3.8	1.3
Utilities	0.8	0.8

Source: Bloomberg

Exchange Rates

Cross	2018-07-31	6 Mos Ago	1Yr Ago
USD/CAD	1.30	1.23	1.25
EUR/CAD	1.52	1.53	1.48
GBP/CAD	1.71	1.75	1.65
CAD/JPY	86.00	88.67	88.35

Source: Bloomberg

Investment Recommendation Rating System

Recommended List:	The list presents a selection of funds that we believe are among the best of their peers and offer unique characteristics that can add value when used in a well-diversified investment portfolio tailored to a client's investment objectives.
Hold:	The fund remains on the Recommended List, but is not recommended for adding to or selling from client's portfolios.
Sell:	The fund is no longer on recommended list.
Under review:	The fund's participation on the Recommended List is under review.

General Disclosures

The information and opinions contained in this report were prepared by Industrial Alliance Securities Inc. ('iA Securities'). iA Securities is owned by Industrial Alliance Insurance & Financial Services Inc. ('iA Financial'). iA Financial is a TSX Exchange listed company and as such, iA Securities is related to iA Financial. The opinions, estimates and projections contained in this report are those of iA Securities as of the date of this report and are subject to change without notice. iA Securities endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iA Securities makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to iA Securities that is not reflected in this report.

Nothing contained in this report is or should be relied upon as a promise or representation as to the future. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and management's analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. There is no representation, warranty or other assurance that any projections contained in this report will be realized.

Opinions, estimates and projections contained in this report are our own as of the date hereof and are subject to change without notice. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your investment advisor.

Definitions

"The author" means any partner, director, officer, employee or agent of iA Securities who is held out to the public as a publisher of Investment Fund Research or whose responsibilities to iA Securities include the preparation of any written investment fund research report for distribution to clients or prospective clients of iA Securities.

"Investment Fund Research" means any written or electronic communication that iA Securities has distributed or will distribute to its clients or the public, which contain author's comments concerning current Investment Fund indicators.

Conflicts of Interest

The author and or associates who prepared this report are compensated based upon (among other factors) the overall profitability of iA Securities, which may include the profitability of investment banking and related services. In the normal course of its business, iA Securities may provide financial advisory services for issuers. iA Securities will include any further issuer related disclosures as needed.

iA Securities permits the authors to own and trade in the securities discussed herein. In that case, specific holdings disclosures will be made.

The Authors' Certification

The author whose name appears on the front page of this Investment Fund Research report hereby certifies that (i) the opinions expressed in the investment fund research report accurately reflect the author's personal views about the marketplace and are the subject of this report and all strategies mentioned in this report that are covered by such the author and (ii) no part of the author's compensation was, is, or will be directly or indirectly, related to the specific views expressed by such technical strategies in this report.

The author(s) of this report own(s) the following securities of the issuer(s): None.

Dissemination of Reports

iA Securities uses its best efforts to disseminate its investment fund research reports to all clients who are entitled to receive the firm's investment fund research reports, contemporaneously on a timely and effective basis in electronic form, via fax or mail.

For Canadian Residents: This report has been approved by iA Securities, which accepts responsibility for this report and its dissemination in Canada. Canadian clients wishing to effect transactions should do so through a qualified salesperson of iA Securities in their particular jurisdiction where their iA is licensed.

For U.S. Residents: This report is not intended for distribution in the United States.

For E.U. Residents: This report is not intended for distribution in the European Union.

For U.K. Residents: This report is not intended for distribution in the United Kingdom.

Intellectual Property Notice

The materials contained herein are protected by copyright, trademark and other forms of proprietary rights and are owned or controlled by iA Securities or the party credited as the provider of the information.

Regulatory

iA Securities is a member of the Canadian Investor Protection Fund ('CIPF') and the Investment Industry Regulatory Organization of Canada ('IIROC').

Copyright

All rights reserved. All material presented in this document may not be reproduced in whole or in part, or further published or distributed or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of iA Securities.



INVESTED IN YOU.