

# Monthly Market Snapshot

May 2019

## Monthly Overview

The momentum behind Q1's powerful equity market rally continued in April and helped to push many major stock indexes to record highs, or at least to levels not seen since last summer. The S&P/TSX Composite index closed at an all-time high of 16,669 on April 23 before falling back a bit as the month concluded. The previous high watermark for the index was established in July 2018. For April, the benchmark posted a gain of 3%, while the YTD return was an impressive 15.8%.

Leading the way for the Canadian stock market in April was the consumer discretionary sector, which leapt 7%. Info tech and financials also had a great showing during the month, with respective gains of 6.4% and 5.2%. The real estate, materials and telecom sectors were the only areas that retreated during the month. The loonie was virtually unchanged versus the greenback in April.

The S&P 500 charged ahead by 4.3% during April (returns in this paragraph quoted in CAD) and was up by 15.7% on a YTD basis to the end of the month. This benchmark also achieved a fresh record high closing value during the month. Strong earnings for some of the major U.S. banks propelled the financial services sector higher by more than 9% during the period. Info tech and telecom stocks witnessed strong gains as well, while the healthcare sector was the laggard on the month, sliding 2.4%. Overseas markets also got a boost in April. The MSCI EAFE benchmark tacked on 2.8%, while Emerging Markets names were higher by 2.3%

Crude oil prices continued to push higher, adding another 6.3% on a month-over-month basis. That brought the gain over the quarter for the commodity to nearly 19%, although on a year-over-year basis, crude prices were still lower to

April 30. Natural gas, silver and gold prices all edged lower during the month.

The investment grade fixed income indices we follow slipped marginally, while high yield bonds showed a gain of 1.4%. The yield on the 10-year Government of Canada bond was roughly unchanged during the month and stood at 1.71% on April 30. That's a fair bit lower than where things were in October when yield stood closer to 2.6%. Yields of other maturities declined over the period as well, and we will remind readers that falling bond yields correspond with higher bond prices. This translated to a return for Canada's key investment grade bond index of close to 6% from early October to the end of April. Not only was that better than most major equity market returns over the same period, the return was achieved with extremely low levels of volatility. As you likely recall, volatility for stock markets spiked higher in the fourth quarter of last year as many benchmarks experienced double-digit drawdowns. The behaviour of quality bonds in this case demonstrates they can be effective volatility dampeners for more conservative investors.

The Bank of Canada kept its target overnight rate at 1.75% in April. The Bank noted that, "In Canada, growth during the first half of 2019 is now expected to be slower than was anticipated in January."

Overall, the Bank's expectation is for real GDP growth of 1.2% in 2019 and around 2% in 2020 and 2021.

Data released in April showed that the U.S. economy achieved growth in the first quarter of 3.2%. That was far in excess of the consensus expectation by economists of 2.3%.

James Gauthier, CFA  
Head of Funds Research

Edmund Fernandez, CFA, CIM  
Senior Product Analyst

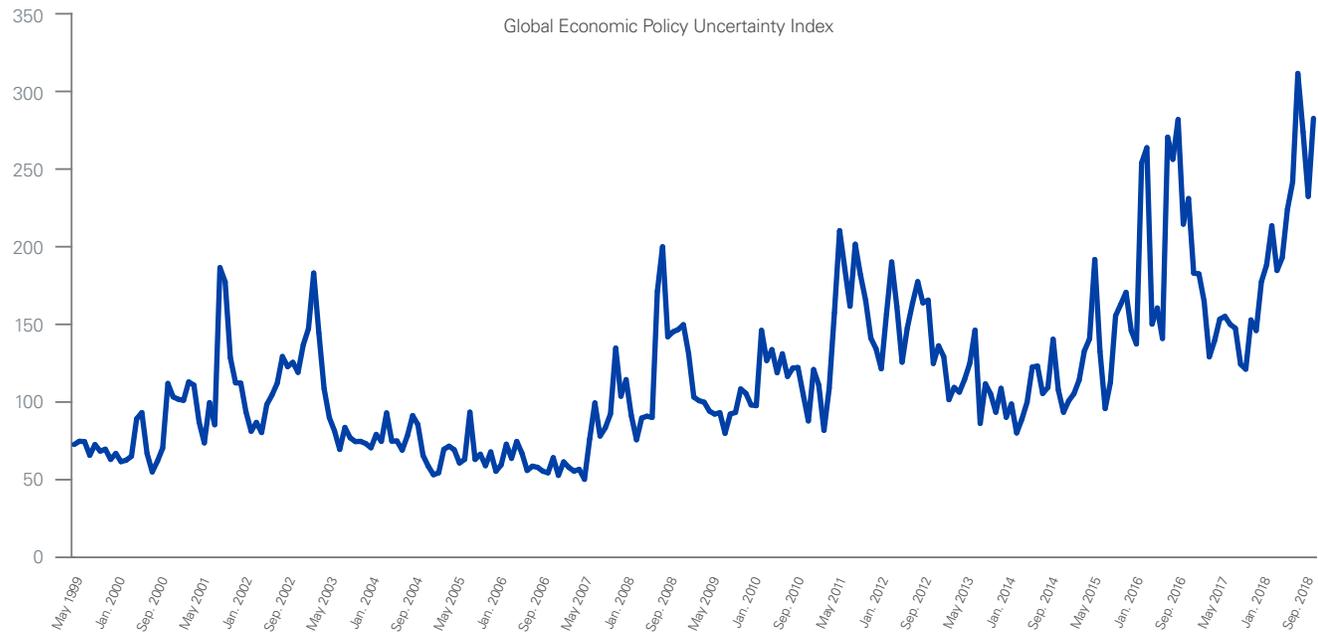
Corey Hurwitz, MBA  
Senior Product Analyst

# Monthly Market Statistics

Data to April 30, 2019, unless otherwise indicated

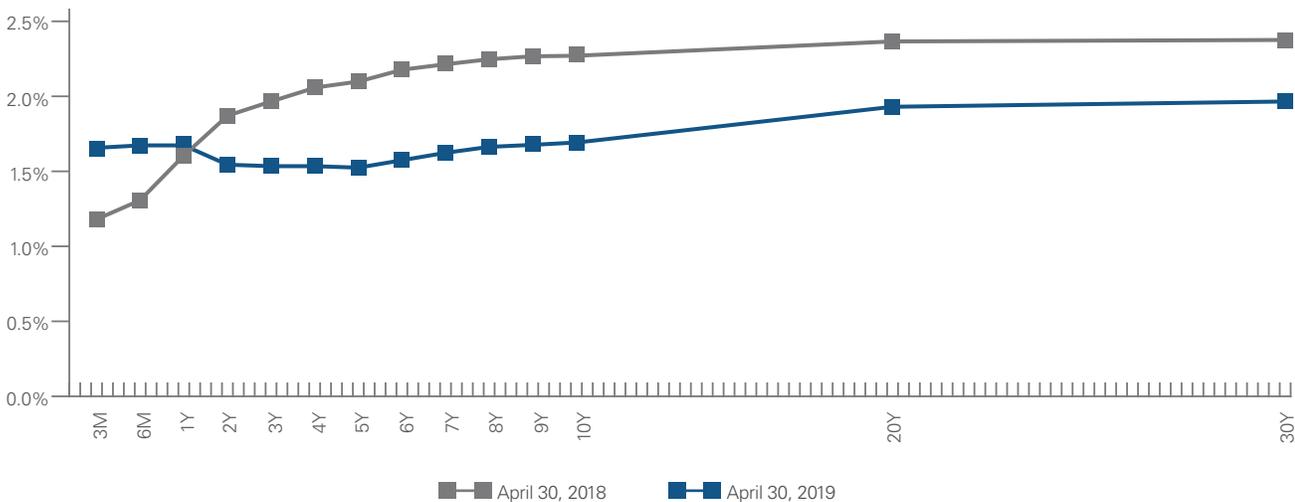
Economic policy encompasses governments setting levels of taxation, budgets, the money supply and interest rates, among other things, to achieve particular objectives like target inflation or economic growth. The Global Economic Policy Uncertainty Index is a measure of policy-related economic uncertainty, and currently is close to its highest level in two decades. U.S. Federal Reserve Chair Jerome Powell said he would continue to be patient about rate movements, as he needs to see more data on the direction of the U.S. economy. There are slowing global growth concerns, low inflation, but also record high job numbers. Policy-related events typically cause large stock market movements, and with the uncertainty of economic policy, it could spell a volatile and uncertain future for stock markets.

## Chart of the Month: Economic Policy Uncertainty



Source: Bloomberg

## Canadian Sovereign Yield Curve



Source: Bloomberg

# Monthly Market Statistics

Data to April 30, 2019, 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	3.0	6.7	10.3	15.8	6.2	5.9	2.5	8.8
S&P/TSX Small Cap	-0.4	1.9	0.9	9.6	-9.1	-0.6	-3.2	11.1
S&P 500	4.3	11.1	10.7	15.7	16.3	15.1	13.9	10.8
MSCI EAFE	2.8	7.1	7.9	10.0	-1.7	6.6	4.0	10.5
MSCI World	3.7	9.6	9.8	13.8	9.2	11.7	9.6	10.2
MSCI World Small Cap	3.3	7.9	8.3	14.8	3.6	11.4	9.8	12.4
MSCI Europe	3.5	8.9	9.2	11.5	-1.6	6.3	2.5	13.7
MSCI EM	2.3	4.9	15.1	10.0	-3.1	11.1	5.8	13.0
MSCI AC Asia	1.9	5.7	10.7	8.9	-2.5	9.7	7.7	10.9

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	-0.1	2.4	6.3	3.8	6.1	2.7	3.6	3.7
Barclays Global Agg	-0.3	0.4	4.3	1.9	0.9	0.9	0.8	4.7
Barclays High Yield Very Liquid Index	1.4	4.2	6.3	9.6	7.4	7.1	4.1	4.4

Source: Bloomberg

## Commodity Prices (Prices and Returns in USD)

Commodity	04/30/2019 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	63.91	6.3	-6.8
Natural Gas/mmBTU	2.58	-3.3	-6.8
Copper/pound	2.90	-1.2	-4.9
Silver/oz	14.90	-1.4	-8.7
Gold/oz	1285.70	-0.6	-2.5

Source: Bloomberg

## Economic Data

Canada	
Real GDP - Q1 (q/q ann. % change)	0.4
Consumer Prices Mar (y/y % change)	1.9
Unemployment Rate, Mar '19	5.8
United States	
Real GDP - Q1 (q/q ann. % change)	3.2
Consumer Prices Mar (y/y % change)	1.9
Unemployment Rate, Mar '19	3.8

Source: Bloomberg, Stats Canada

## One Month Sector Returns (% in CAD)

Sector	S&P/TSX Composite	S&P 500
Consumer Discretionary	7.0	6.0
Consumer Staples	0.7	2.7
Energy	3.5	0.3
Financials	5.2	9.2
Health Care	2.0	-2.4
Industrials	4.1	4.4
Info Tech	6.4	6.7
Materials	-2.5	4.0
Real Estate	-2.8	-0.3
Telecom Services	-0.9	6.6
Utilities	0.3	1.2

Source: Bloomberg

## Exchange Rates

Cross	2019-04-30	6 Mos Ago	1Yr Ago
USD/CAD	1.34	1.32	1.28
EUR/CAD	1.50	1.49	1.55
GBP/CAD	1.74	1.68	1.77
CAD/JPY	83.24	85.84	85.14

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.**