

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%.

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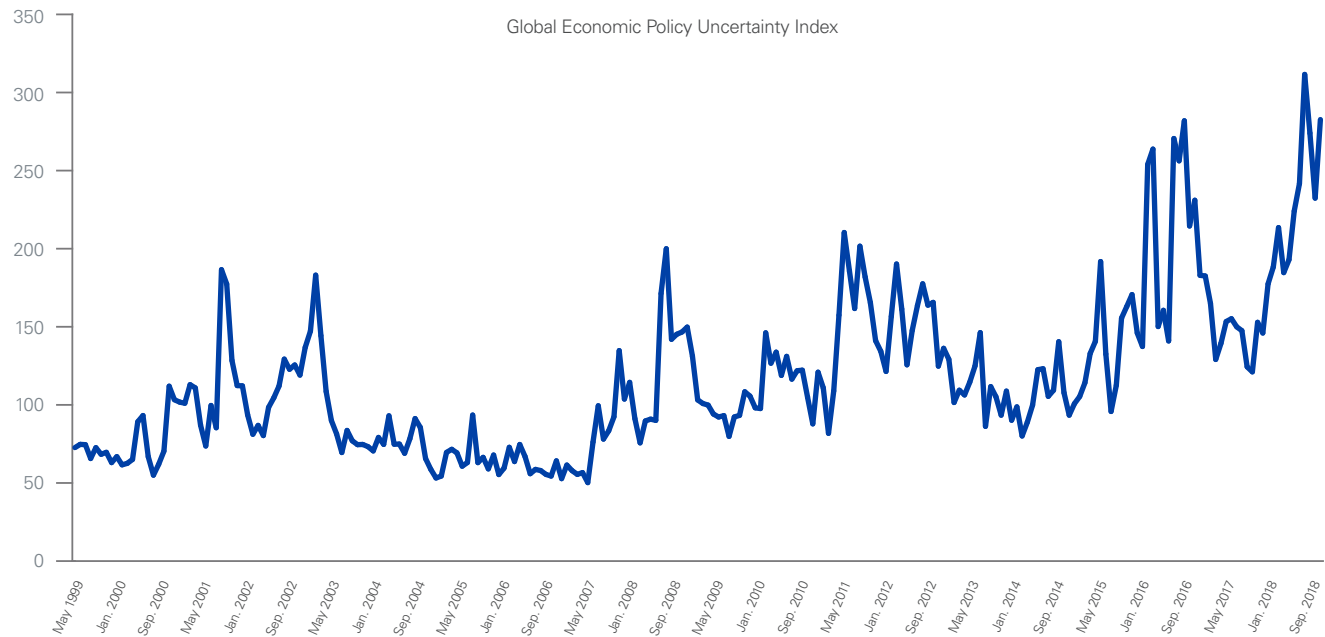
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Monthly Market Statistics

Data to April 30, 2019, unless otherwise indicated

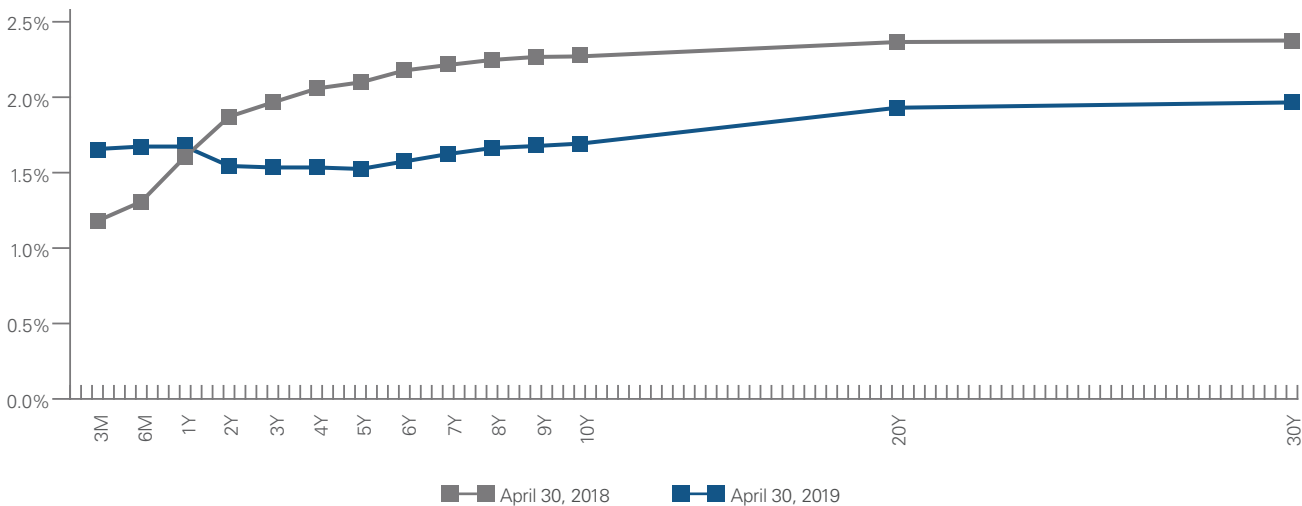
Economic policy encompasses governments setting levels of taxation, budgets, the money supply and interest rates, among other things, to achieve particular objectives like target inflation or economic growth. The Global Economic Policy Uncertainty Index is a measure of policy-related economic uncertainty, 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.
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Under review:	The fund's participation on the Recommended List is under review.

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