



iA Wealth Monthly Market Snapshot

Monthly Overview

It was an eventful month of July with China and the U.S. restarting trade negotiations and the Federal Reserve lowering U.S. interest rates for the first time in 11 years, resulting in a mixed month for equity markets globally. Canadian stocks were fairly muted, as the S&P/TSX Composite eeked out a 0.1% gain during the month. At the same time, the U.S. market, as measured by the S&P 500, was 1.7% higher, in Canadian dollar terms, reaching an all-time high during the period. International markets, meanwhile, faced headwinds in July, with the MSCI EAFE sliding 0.9% in CAD terms.

Consumer discretionary, information technology and materials were the top performing Canadian sectors in July, with respective gains of 3.4%, 3.2% and 2.3%. Only three sectors were in the red during the month, but that included the influential energy space which posted a 4% decline, as natural gas prices trended lower while crude oil prices remained stable. The healthcare sector saw the biggest drop for the period, falling 13.3%, as cannabis stocks weakened.

Technology and telecom stocks led the way for the U.S. market, with respective gains of 3.7% and 3.5% (all returns in this and the following paragraphs are in CAD). Energy and healthcare were the only two S&P 500 sectors that declined during the month, falling 1.5% and 1.3%, respectively.

U.S. corporate earnings for the second quarter started to roll out in July, with the majority of S&P 500-listed companies having reported by the end of the month. More than three-quarters of those companies reported earnings that exceeded analysts' expectations, however, aggregate Q2 earnings are on pace to decline for the second straight quarter – something that hasn't happened since 2016.

Looking abroad, the European market saw underperformance in July, with the MSCI Europe index falling 1.4% and the European Central Bank suggesting a rate cut could be on the horizon. Trade-related concerns pressured emerging markets stocks during the period, with the MSCI EM index falling 1.3%.

Canadian bond yields ended the month flat, leading to a muted return of 0.2% for the FTSE Canada Universe Bond index. The high yield index sported a gain in July, while global bonds slipped by 0.3%.

Canada's gross domestic product grew 0.2% in May, as the nation's economy expanded for a third straight month. Canadian job numbers faltered in June, as the unemployment rate rose to 5.5%, after hitting a four-decade low of 5.4% the previous month. The benchmark overnight rate held steady at 1.75%, marking the sixth straight pause from the Bank of Canada, as it indicated that the Canadian economy is on its own path and will not be following any moves from the Fed to lower rates, in the near term.

The U.S. Federal Reserve lowered its benchmark interest rate by a quarter-point on July 31st in an attempt to stimulate the world's largest economy. The move represented the first rate cut since the global financial crisis, with the central bank highlighting the trade war and below-target inflation as motives for the decision.

August 2019

Product Research & Oversight team

JAMES GAUTHIER, CFA
(416) 601-2422
james.gauthier@iawealth.com

EDMUND FERNANDEZ, CFA, CIM
(416) 640-8270
edmund.fernandez@iawealth.com

COREY HURWITZ, MBA
(416) 350-3250 x6558
corey.hurwitz@iawealth.com



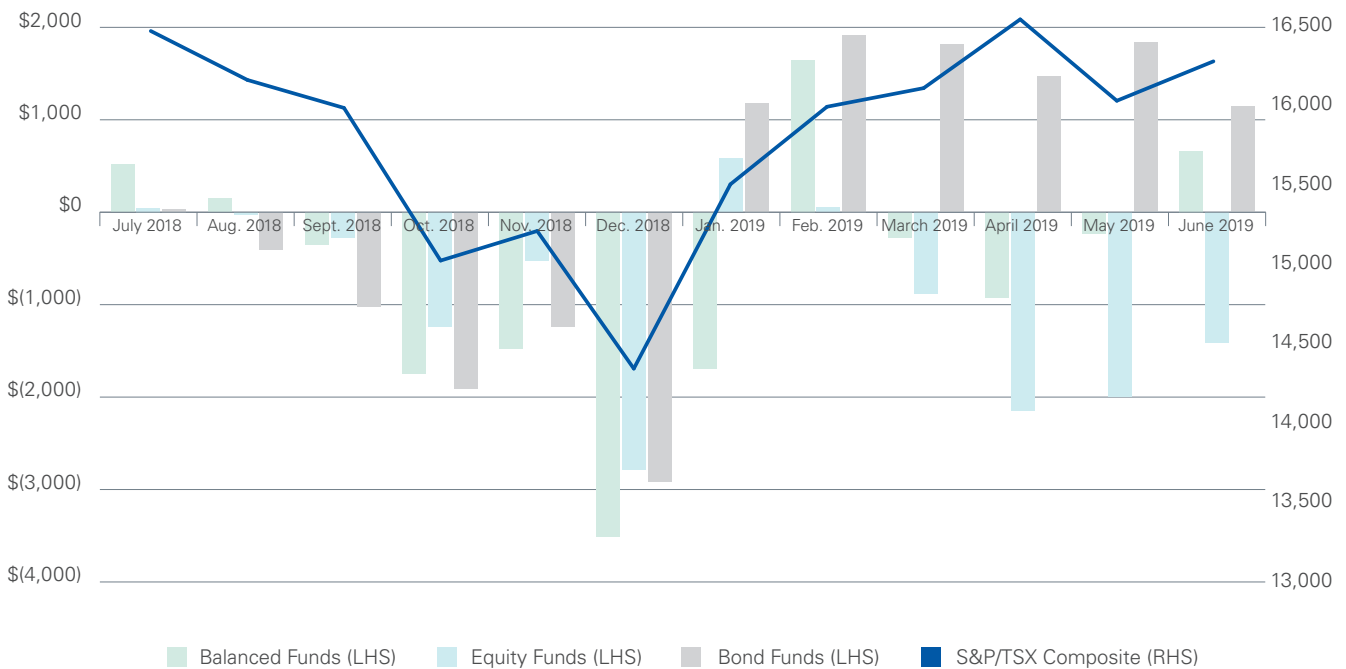
Monthly Market Statistics

Data to July 31, 2019, unless otherwise indicated

Since the fourth quarter of last year, Canadian mutual fund investors have been pulling money out of equity offerings by the boatload. Net redemptions for equity funds were close to \$12 billion between October 2018 to the end of June 2019. The market turmoil late last year clearly left many investors skittish, and despite the sharp bounce back in stock prices during the first half

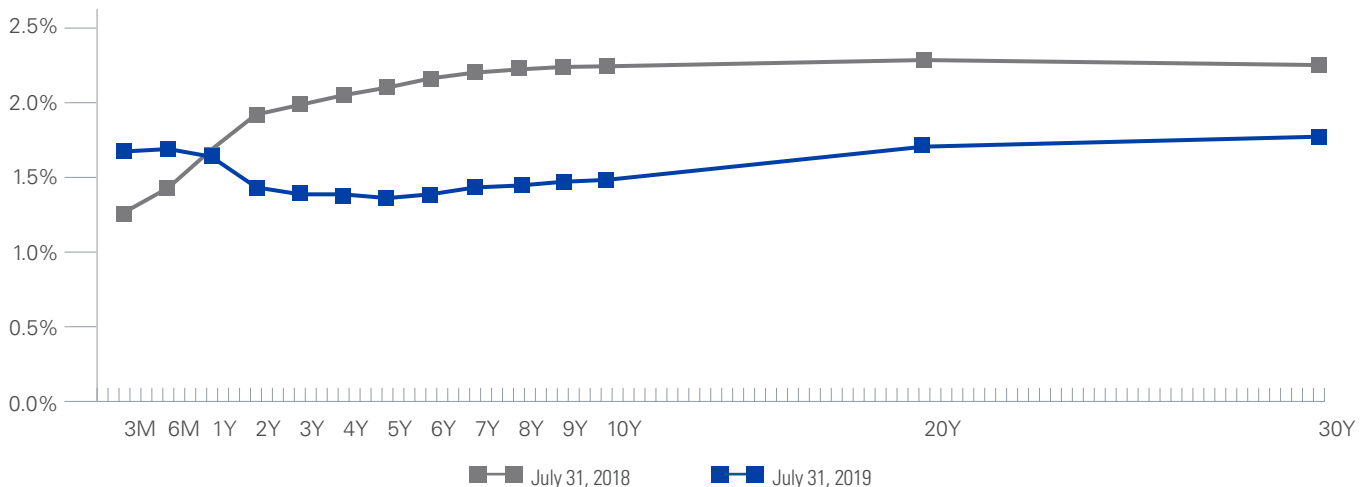
of 2019, the level of reluctance to move back into the equity market remains high. Conversely, a whopping \$9.1 billion has flowed into bond funds during the first half of the year as investors pursued the defensive characteristics of fixed income. Falling yields have juiced returns for bond funds, so we see little in the cards to trigger a reversal in these fund flow trends.

Chart I: Chart of the Month – Mutual Fund Net Sales / Net Redemptions (in millions)



Source: IFIC, Investor Economics, Bloomberg

Chart II: Canadian Sovereign Yield Curve



Source: Bloomberg



Monthly Market Statistics

Data to July 31, 2019, unless otherwise indicated

Table I: Equity Index Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
S&P/TSX Composite	0.1	-1.1	5.6	14.5	-0.2	4.0	1.4	8.9
S&P/TSX Small Cap	3.0	2.4	4.4	12.2	-6.8	-3.0	-3.0	10.9
S&P 500	1.7	-0.8	10.2	14.7	7.0	11.3	13.3	12.1
MSCI EAFE	-0.9	-3.2	3.6	6.5	-4.4	4.2	3.4	10.9
MSCI World	0.9	-1.6	7.9	12.1	2.7	8.5	9.0	11.2
MSCI World Small Cap	0.9	-2.9	4.8	11.4	-3.9	7.3	9.1	13.1
MSCI Europe	-1.4	-4.2	4.4	6.8	-5.3	4.2	2.6	14.3
MSCI EM	-1.3	-5.8	-1.2	3.6	-3.6	6.1	3.3	13.7
MSCI AC Asia	-0.6	-4.3	1.2	4.2	-4.1	5.3	5.1	11.4

Source: Bloomberg

Table II: Fixed Income Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
FTSE TMX Canada Universe Bond	0.2	2.8	5.3	6.7	8.3	2.4	3.8	3.7
Barclays Global Agg	-0.3	3.3	3.7	5.3	5.7	1.3	1.3	4.5
Barclays High Yield Very Liquid Index	0.5	1.5	5.8	11.3	7.4	6.4	4.4	4.6

Source: Bloomberg

Table III: Commodity Prices (Prices and Returns in USD)

Commodity	07/31/2019 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	58.58	0.2	-14.8
Natural Gas/mmBTU	2.23	-3.2	-19.7
Copper/pound	2.67	-1.5	-5.8
Silver/oz	16.41	7.6	5.4
Gold/oz	1426.10	0.9	16.5

Source: Bloomberg

Table IV: Economic Data

Canada	
Real GDP - Q1 (q/q ann. % change)	0.4
Consumer Prices June (y/y % change)	2.0
Unemployment Rate, June 2019	5.5
United States	
Real GDP - Q2 (q/q ann. % change)	2.1
Consumer Prices June (y/y % change)	1.6
Unemployment Rate, June 2019	3.7

Source: Bloomberg, Stats Canada

Table V: One Month Sector Returns (% in CAD)

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	3.4	1.3
Consumer Staples	1.5	2.8
Energy	-4.0	-1.5
Financials	0.6	2.7
Health Care	-13.3	-1.3
Industrials	1.8	1.0
Info Tech	3.2	3.7
Materials	2.3	0.0
Real Estate	1.8	2.1
Telecom Services	-1.1	3.5
Utilites	1.6	0.0

Source: Bloomberg

Table VI: Exchange Rates

Cross	07/31/2019	6 Mos Ago	1Yr Ago
USD/CAD	1.32	1.31	1.30
EUR/CAD	1.46	1.50	1.52
GBP/CAD	1.60	1.72	1.71
CAD/JPY	82.48	82.97	86.00

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 Author's 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 US Residents

This report is not intended for distribution in the United States.

For EU Residents:

This report is not intended for distribution in the European Union.

For UK 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 and the Investment Industry Regulatory Organization of Canada. iA Securities is a trademark and business name under which Industrial Alliance Securities Inc. operates.

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.