



# iA Wealth Monthly Market Snapshot

## Monthly Overview

February 2020

The momentum that drove 2019's powerful equity market rally came to a halt in January, although many major stock indices did reach record highs during the month. The year got off to a rocky start as tensions between the U.S. and Iran escalated after a U.S. airstrike killed a top Iranian general. Investor optimism grew mid-month, with the signing of Phase One of the U.S.-China trade deal, along with an upbeat start to the U.S. earnings season. The good vibes quickly dissipated moving into the final two weeks of the month, however, as panic selling related to fears over the magnitude of the coronavirus pandemic spread. By the end of January, the number of confirmed coronavirus cases had risen to almost 10,000, with over 200 deaths.

Despite the volatility throughout the month, Canada's benchmark S&P/TSX Composite Index ended January up 1.5%. Leading the way for the Canadian stock market were the information technology and utilities sectors, which jumped 9.4% and 7.6%, respectively. The all-important energy and financials sectors, which account for nearly half the value of the Canadian index, were mixed for the month. Energy stocks were down 2.4%, while financials stocks gained 1.4%. The Canadian small-cap index did not fare as well as the broader Canadian benchmark, slipping 3.0% during the month.

The loonie shed close to 2% versus the greenback over the first month of the year, providing a slight boost to returns of foreign markets in Canadian dollar terms. Note that all returns in this paragraph are in CAD terms. U.S.-based stocks, as measured by the S&P 500 Index, were 1.8% higher in January. The utilities and technology sectors led the way, producing respective gains of 8.7% and 5.9%. The energy sector had the biggest drop, falling 9.4% during the month. International stocks, as measured by the MSCI EAFE Index, had a marginal loss while European stocks dipped by 0.7%. Emerging market equities were 2.8% lower for the month.

Bonds were in rally mode in January, as yields on investment grade issues drifted lower, pushing prices higher overall. The Canadian investment grade fixed-income benchmark gained 2.9% during the month, while global investment grade bonds increased 1.3%. Global high-yield issues were fairly muted.

Turning briefly to commodities, crude oil prices took a major dip over concerns that the coronavirus outbreak in Asia could spread and curtail demand, falling 15.6% for the month. Natural gas prices retreated by 15.9%. Gold prices benefitted from all the investor concerns, increasing 3.9% in January and closing the month at US\$1,583/oz.

Canada's overall Consumer Price Index was up 2.2% in December from a year earlier, matching the previous month's gain. Core inflation edged down to 2.1%. The nation's gross domestic output expanded 0.1% in November, topping economist estimates for a flat reading. Canada's unemployment rate for December came in at 5.6%, while the Bank of Canada maintained its overnight target rate at 1.75%.

U.S. GDP grew at an annualized pace of 2.1% for the second straight quarter. Consumer spending decelerated to a pace of 1.8%, which was below economists' projections. The U.S. unemployment rate edged down to 3.5%. The Federal Reserve kept its key interest rate unchanged and signalled policy would remain on hold for the foreseeable future.

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## Monthly Market Statistics

Investor anxiety over the coronavirus has led to sharp market downturns around the globe. There is often an initial panic after some new virus or disease comes on the scene, but, at least in the past, things settle down and markets have actually done quite well after the first instance the disease is discovered. Looking back 40 years, previous epidemics have all led to the S&P 500 increasing in value over the six months after the virus was discovered, except for the

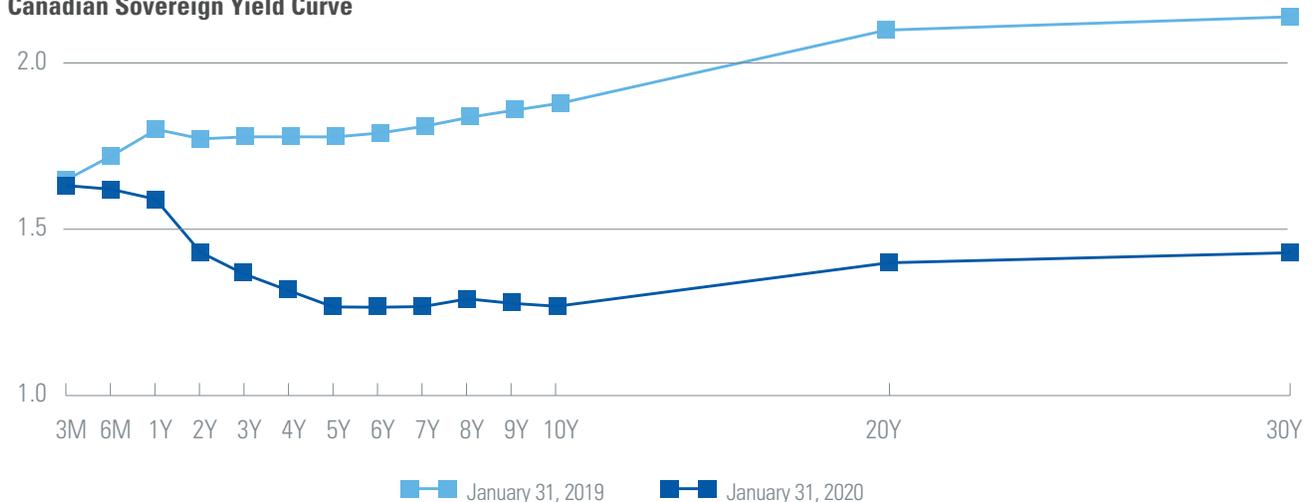
HIV/AIDS epidemic in 1981. Even then, the decline was minimal. Over 12 months, there were only two instances of the market declining after the disease was discovered. Epidemics like the coronavirus understandably have many investors concerned; however, the stock market's track record of a quick recovery from these type of events can be reassuring.

### Chart of the Month: Epidemics and Stock Market Reactions

Epidemic	Month End	6-month % change (USD) of S&P 500	12-month % change (USD) of S&P 500
HIV/AIDS	June 1981	-0.2%	-10.7%
Pneumonic Plague	Sept. 1994	8.2%	26.3%
SARS	April 2003	14.6%	20.8%
Avian flu	June 2006	11.7%	18.4%
Dengue Fever	Sept. 2006	6.4%	14.3%
Swine Flu	April 2009	18.7%	36.0%
Cholera	Nov. 2010	14.0%	5.6%
MERS	May 2013	10.7%	18.0%
Ebola	March 2014	5.3%	10.4%
Measles/Rubeola	Dec. 2014	0.2%	-0.7%
Zika	Jan. 2016	12.0%	17.5%
Measles/Rubeola	June 2019	9.8%	N/A

Source: Dow Jones Market Data.

### Canadian Sovereign Yield Curve



Source: Bloomberg.



## Monthly Market Statistics

Data to January 31, 2020, unless otherwise indicated

**Table 1: Equity Index Returns (% in CAD)**

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
S&P/TSX Composite	1.5	5.1	5.6	1.5	11.4	4.0	3.4	9.1
S&P/TSX Small Cap	-3.0	4.5	-2.5	-3.0	1.8	-4.4	-0.1	11.1
S&P 500	1.8	6.8	8.9	1.8	20.1	12.8	11.0	12.1
MSCI EAFE	-0.2	2.5	5.8	-0.2	9.6	5.3	3.1	11.1
MSCI World	1.3	5.4	7.8	1.3	16.2	9.9	7.7	11.3
MSCI World Small Cap	-0.9	4.1	5.1	-0.9	10.1	7.1	7.4	13.3
MSCI Europe	-0.7	3.2	6.2	-0.7	10.8	5.6	2.4	14.5
MSCI EM	-2.8	2.5	3.1	-2.8	1.9	5.8	2.8	14.5
MSCI AC Asia	-0.9	2.2	5.3	-0.9	6.5	5.9	4.2	11.8

Source: Bloomberg.

**Table 2: Fixed-Income Returns (% in CAD)**

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
FTSE Canada Universe Bond	2.9	2.2	3.1	2.9	8.5	4.6	2.8	3.9
Barclays Global Agg	1.3	1.1	2.8	1.3	6.6	4.3	2.6	3.6
Barclays High Yield Very Liquid Index	-0.2	2.2	3.3	-0.2	9.3	5.6	5.3	4.5

Source: Bloomberg.

**Table 3: Commodity Prices (Prices and Returns in USD)**

Commodity	01/30/2020 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	51.56	-15.6	-4.1
Natural Gas/mmBTU	1.84	-15.9	-34.6
Copper/pound	2.52	-10.0	-9.6
Silver/oz	18.01	0.5	12.1
Gold/oz	1582.90	3.9	19.9

Source: Bloomberg.

**Table 4: Economic Data**

Canada	
Real GDP – Q3 (q/q ann. % change)	1.3
Consumer Prices Dec. (y/y % change)	2.2
Unemployment Rate, Dec '19	5.6
United States	
Real GDP – Q4 (q/q ann. % change)	2.1
Consumer Price Dec. (y/y % change)	2.3
Unemployment Rate, Dec '19	3.5

Source: Bloomberg, Stats Canada.

**Table 5: One-Month Sector Returns (% in CAD)**

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	-2.5	2.6
Consumer Staples	4.4	2.2
Energy	-2.4	-9.4
Financials	1.4	-0.9
Health Care	-2.6	-1.0
Industrials	4.5	1.5
Info Tech	9.4	5.9
Materials	-2.4	-4.3
Real Estate	4.4	3.4
Telecom Services	2.8	2.6
Utilities	7.6	8.7

Source: Bloomberg.

**Table 6: Exchange Rates**

Cross	01/30/2020	6 Mos Ago	1 Yr Ago
USD/CAD	1.32	1.32	1.31
EUR/CAD	1.47	1.46	1.50
GBP/CAD	1.75	1.60	1.72
CAD/JPY	81.86	82.48	82.97

Source: Bloomberg.

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