



Monthly Market Snapshot

Monthly Overview

May was another volatile month for equity markets as concerns over persistent inflation and monetary tightening weighed on investor sentiment. With mounting fears of aggressive rate hikes from the Fed potentially tipping the economy into a recession, the S&P 500 posted its longest weekly losing streak since the dot-com bubble. Adding to headwinds was a series of lackluster quarterly earnings from major U.S. retailers. The weaker-than-expected earnings from Target and Walmart indicated profit is getting pressured from rising wages and transportation costs. U.S. stocks managed to snap the seven-week losing streak after China loosened lockdown measures and U.S. President Joe Biden said he would consider easing tariffs on Chinese goods.

Canada's benchmark S&P/TSX Composite Index was 0.2% lower in May, as eight of the benchmark's underlying sectors were negative during the month. The decline was led by the health care sector with a loss of 25.5%. Only energy and financials managed to be in the green with returns of 7.9% and 1.4%, respectively. The Canadian market has been resilient during the broad downturn this year, thanks to the strength of the energy and materials sectors. Small-cap stocks, as measured by the S&P/TSX Small Cap Index, slid again by 2.4% in May.

The U.S. dollar depreciated by 1.2% versus the loonie during the month, dampening the returns of foreign markets from a Canadian investor's standpoint. Note that all returns in this paragraph are in CAD terms. U.S.-based stocks, as measured by the S&P 500 Index, declined 1.4% in May. Real estate and consumer discretionary had the steepest declines during the month, falling 6.5% and 6.3%, respectively. Energy, utilities and financials managed to see gains in May, rising 13.3%, 2.3% and 1.1%, respectively. International stocks, as measured by the MSCI EAFE Index, lost 1.2% during the period, while emerging market stocks fell 1.3%.

The investment grade fixed income indices we follow were mixed in May. Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, lost 0.1% for the month while the key global investment grade bond benchmark increased by 0.3%. Global high-yield issues advanced 0.5%.

June 2022

Investment Products & Platforms Team

JAMES GAUTHIER, CFA

james.gauthier@iawealth.com

MICHAEL DIL, CFA

michael.dil@iagto.ca

PAVAN KHAIRA

pavan.khaira@iagto.ca

JUSTIN KIM, CFA

justin.kim@iagto.ca

BHARTI PATEL

bharti.patel@iagto.ca

JOSHUA WON

joshua.won@iagto.ca



Turning to commodities, natural gas continued its rally with a return of 12.4% during the month, while the price of a barrel of crude oil gained 9.5%. Copper, silver and gold were in the red again, with respective losses of 2.3%, 5.9%, and 3.6%.

Inflation in Canada stayed elevated with a 6.8% year-over-year rise in April, the highest print since 1991. The increase was largely driven by food and shelter prices. The Canadian economy added 15,300 jobs in April, as the nation's unemployment rate edged down to 5.2%. The Bank of Canada is expected to hike the policy rate by another 50 basis points to 1.5% in June as inflation stays persistent.

U.S. nonfarm payrolls grew by 428,000 in April, and the unemployment rate was unchanged at 3.6%. The consumer price index rose again in April, accelerating to 8.3% year-over-year. Shelter, food, airline fares and new vehicles were the largest contributors to rising inflation. U.S. retail sales rose again in April, increasing by 0.9%. The Federal Reserve raised its interest rate by 50 basis points in May – the largest increase in 22 years. The Fed minutes also indicated additional 50 basis point increases are likely to happen at upcoming meetings.

Content sourced from Bloomberg; data as at May 31, 2022.

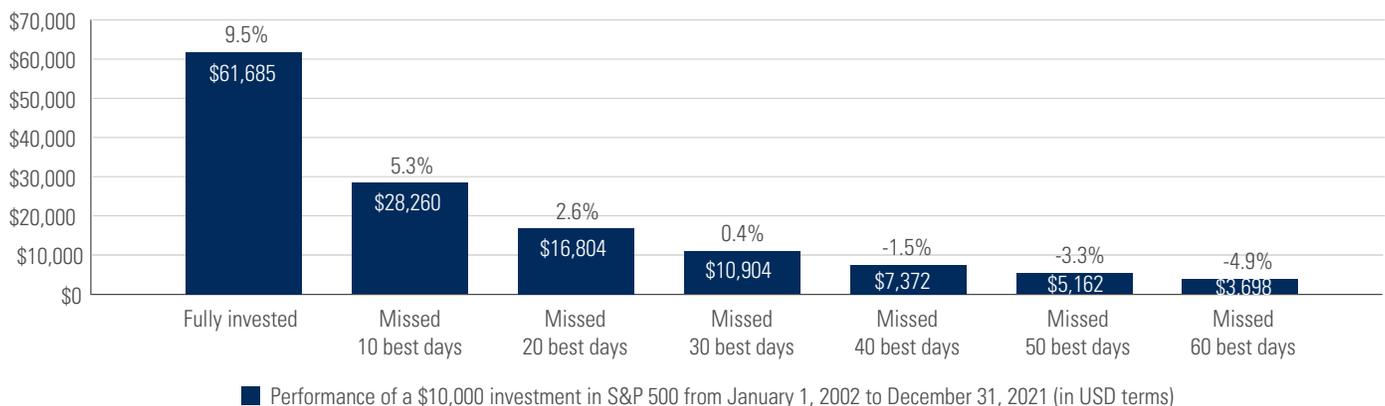
Monthly Market Statistics

Extreme market volatility can put investors on an emotional roller coaster, and this may trigger impulses to get out of the market altogether. The challenge with attempting to time the market is that bottoms and peaks are only evident with plenty of hindsight, and there is not much evidence to suggest that market timing is an effective strategy.

The bar on the left in the chart below shows the annualized return for the S&P 500 over the last 20 years. The bars to the right of it show the compounded return for the index if the 10 best trading days were missed, if the 20 best trading days were missed, and so on. The damage to return as a result of missing key days for the market has been catastrophic. In fact, if you remove the best 40 days from the performance of the index, it's return would be negative. In the past 20 years, there have been about 5,000 trading days. 40 of those represent 0.8% of the total, so damaging long-term returns does not require one to be out of the market for very long.

With rising rates, nagging inflation and geopolitical tensions, there's a good chance the elevated volatility could continue. When challenges flare up, it is key to remember your longer-term plan, and knowing the harm that can come with missing big days for the market can work to underscore that approach.

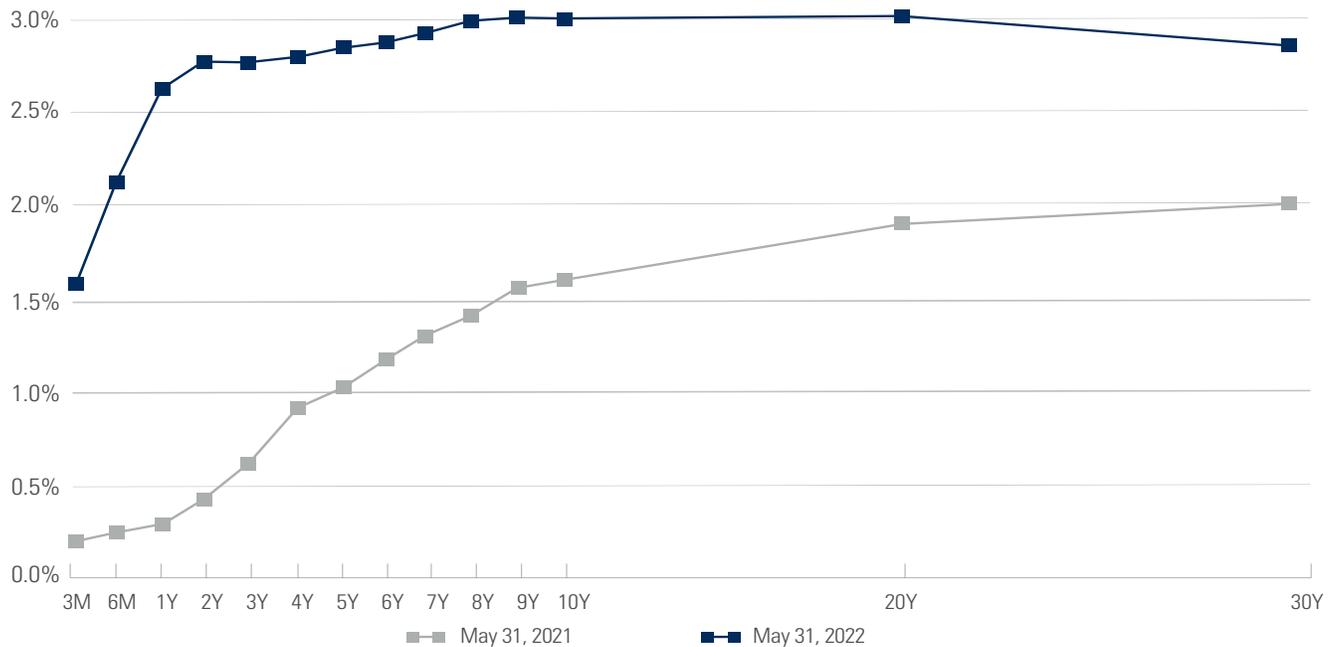
Chart of the Month: Time in the Market is Better than Timing the Market



Source: J.P. Morgan Asset Management.



Canadian Sovereign Yield Curve



Source: Bloomberg.

Monthly Market Statistics

Data to May 31, 2022, 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	-0.2	-1.9	0.3	-2.3	5.1	8.9	6.2	16.3
S&P/TSX 60	-0.1	-1.8	0.5	-2.5	6.3	9.3	6.7	15.2
S&P/TSX Small Cap	-2.4	-5.5	-0.6	-1.6	-1.7	11.3	4.1	28.8
S&P 500	-1.4	-5.9	-10.8	-13.4	2.7	11.9	9.9	18.3
MSCI EAFE	-1.2	-6.9	-9.7	-12.9	-8.6	1.6	0.2	17.7
MSCI World	-1.6	-6.7	-11.3	-13.7	-1.8	8.4	6.4	18.1
MSCI World Small Cap	-1.9	-8.1	-12.8	-14.7	-10.3	6.0	4.4	22.1
MSCI Europe	-1.2	-6.7	-9.5	-13.7	-7.8	2.3	0.1	19.0
MSCI EM	-1.3	-8.4	-12.4	-12.6	-18.0	0.3	0.0	18.2
MSCI AC Asia	-1.0	-7.4	-12.0	-12.3	-15.1	1.3	0.7	15.3

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	-0.1	-6.4	-8.8	-10.3	-8.6	-1.3	0.4	5.7
Barclays Global Agg	0.3	-8.1	-11.2	-11.1	-13.2	-1.4	0.1	5.9
Barclays High Yield Very Liquid Index	0.5	-4.6	-6.2	-8.1	-5.7	2.7	3.1	9.2

Source: Bloomberg.



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

Commodity	05/31/2022 Price (\$)	MoM Change (%)	YoY Change (%)	3 Mo (%)
WTI Crude Oil/BBL	114.67	9.5	72.9	19.8
Natural Gas/mmBTU	8.15	12.4	172.8	85.0
Copper/pound	4.30	-2.3	-8.2	-3.3
Silver/oz	21.69	-5.9	-22.6	-11.0
Gold/oz	1842.70	-3.6	-3.1	-3.1

Source: Bloomberg.

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

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	-1.9	-6.3
Consumer Staples	-1.0	-6.1
Energy	7.9	13.3
Financials	1.4	1.1
Health Care	-25.5	-0.2
Industrials	-4.2	-2.2
Info Tech	-4.9	-2.4
Materials	-6.0	-0.5
Real Estate	-3.2	-6.5
Telecom Services	-2.0	0.3
Utilities	0.3	2.3

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP- Q1 (q/q ann. % change)	3.1
Consumer Prices, 04/2022 (y/y % change)	6.8
Unemployment Rate, 04/2022	5.2
United States	
Real GDP- Q1 (q/q ann. % change)	-1.5
Consumer Prices, 04/2022 (y/y % change)	8.3
Unemployment Rate, 04/2022	3.6

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	05/31/2022	6 Mos Ago	1 Yr Ago
USD/CAD	1.26	1.28	1.21
EUR/CAD	1.36	1.45	1.48
GBP/CAD	1.59	1.70	1.71
CAD/JPY	101.71	88.55	90.84

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 iA Private Wealth Inc. ('iA Private Wealth'). iA Private Wealth is owned by Industrial Alliance Insurance & Financial Services Inc. ('iA Financial'). iA Financial is a TSX Exchange listed company and as such, iA Private Wealth is related to iA Financial. The opinions, estimates and projections contained in this report are those of iA Private Wealth as of the date of this report and are subject to change without notice. iA Private Wealth 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 Private Wealth 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 Private Wealth 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 Private Wealth who is held out to the public as a publisher of Investment Fund Research or whose responsibilities to iA Private Wealth include the preparation of any written investment fund research report for distribution to clients or prospective clients of iA Private Wealth. "Investment Fund Research" means any written or electronic communication that iA Private Wealth 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 Private Wealth, which may include the profitability of investment banking and related services. In the normal course of its business, iA Private Wealth may provide financial advisory services for issuers. iA Private Wealth will include any further issuer related disclosures as needed. iA Private Wealth 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 Private Wealth 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 Private Wealth, 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 Private Wealth 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 Private Wealth or the party credited as the provider of the information.

Regulatory

iA Private Wealth Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. iA Private Wealth is a trademark and business name under which iA Private Wealth 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 Private Wealth.