



iA Wealth Monthly Market Snapshot

Monthly Overview

As September 30 marked the end of Q3, this write-up takes a quarterly perspective on the markets and economy.

Markets faced their fair share of uncertainty during the third quarter, with U.S.-China trade tensions and recession fears front and centre. Central banks around the globe lowered interest rates; this included the U.S. Federal Reserve, which cut its benchmark rate twice in Q3. The uncertainty manifested itself in the form of elevated equity market volatility and the result was a mixed quarter for stocks globally.

Canada's benchmark S&P/TSX Composite Index showed a 1.3% improvement in September and pulled out a 1.7% gain for the quarter. Canadian small-cap stocks faced a bit more pressure in Q3, as the S&P/TSX Small Cap benchmark gave back 1.9%. Eight of the 11 underlying sectors of the S&P/TSX Composite Index were in the black during the quarter, led by utilities and real estate, with gains of 9.0% and 7.4%, respectively. The all-important financials and energy sectors, which account for nearly half the value of the Canadian index, produced mixed results in Q3. Financial services finished the quarter 4.2% higher, while energy showed a marginal decline. Health care, which represents 1.4% of the index, plummeted 30% for the quarter, as weed stocks continued to wane.

The loonie shed just over 1% versus the greenback over the quarter, providing a slight boost to returns of foreign markets in Canadian dollar terms. Note that all returns noted in the following paragraphs are in CAD terms. U.S. stocks, as measured by the S&P 500 Index, finished the quarter 2.3% higher. Although some companies lowered their growth expectations, overall earnings this quarter remained solid. Utilities, real estate and consumer staples led the way in Q3, with gains of 9.6%, 8.1% and 6.6%, respectively. The energy sector saw the biggest drop, falling 6.2% during the quarter.

International stocks, as measured by the MSCI EAFE Index, slipped 0.6% in Q3. Trade-related concerns pressured emerging markets stocks during the period, with the MSCI EM Index falling 4.0%.

Volatile equity markets and risk-averse investors resulted in higher bond prices and lower yields in Q3. The Canadian Investment Grade Bond Index produced a total return of 1.2% during the quarter. Global high-yield issues showed a similar gain over the period, while global investment grade bonds increased 0.7%.

Turning to commodities, the price of a barrel of oil shed 3% in Q3. Prices soared in mid-September after an attack on a Saudi Arabian oil facility, but pulled back towards previous levels within days. Natural gas prices were higher by 1% for the quarter. The price of gold ended Q3 3.7% higher as investors continued to seek out safer assets during the tension-filled quarter.

The Bank of Canada kept rates steady in September, and held off from signalling any need for immediate cuts, indicating strong growth for the country and on-target inflation. Canada's annual CPI reduced marginally to 1.9% in August from 2% the previous month. Canada's unemployment rate remained unchanged at 5.7% in August, as the economy added another 81,100 jobs during the month. Over the last 12 months, Canada has added 471,300 jobs, the most in a year since 2003, as the labour market continues to support the Canadian economy.

The U.S. Federal Reserve lowered interest rates by a quarter-point in September and suggested more cuts could come if the U.S. showed any more signs of weakening. This marked the first time there has been a cut in consecutive Fed meetings (rates were lowered by a quarter-point in July) since the financial crisis. Second-quarter U.S. GDP grew at a 2% annual pace, unchanged from previous estimates, and the U.S. jobless rate held steady at 3.7% in August.

October 2019

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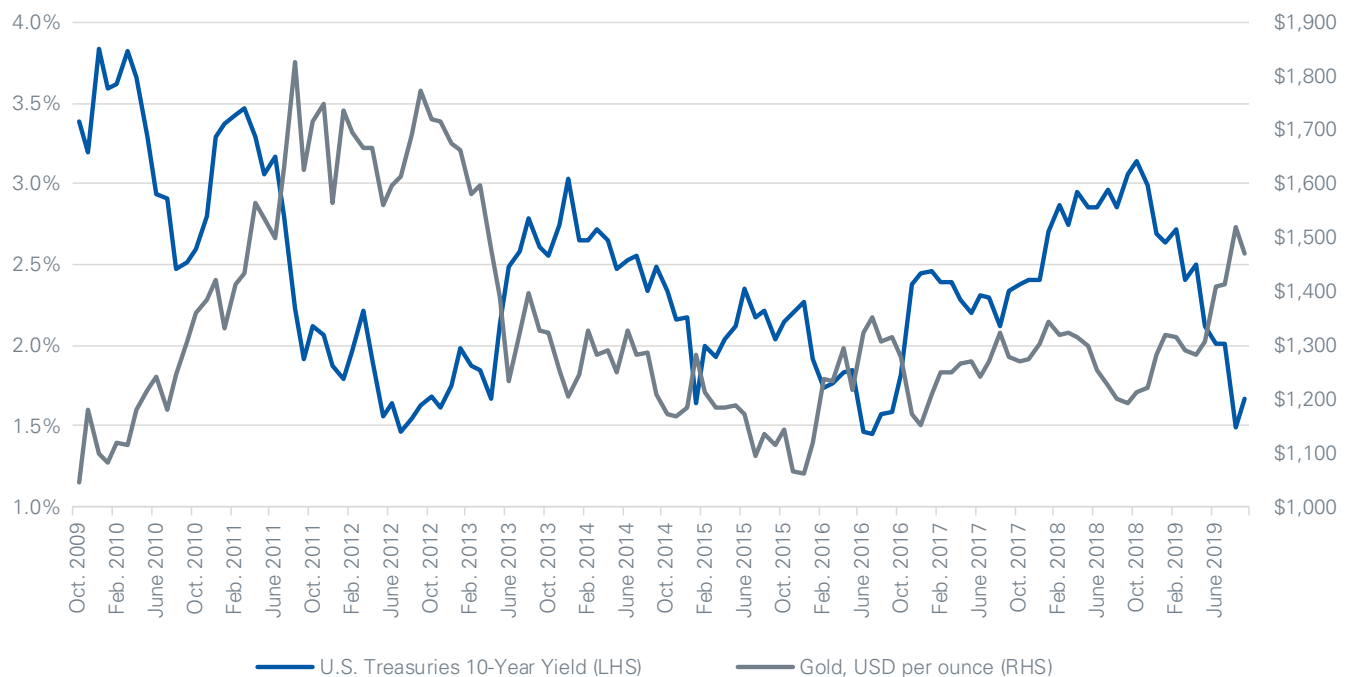
Monthly Market Statistics

Data to September 30, 2019, unless otherwise indicated

Investors have been flocking to safe haven assets like gold and long-term bonds as fears of a recession grow. These assets have been extremely popular since the beginning of Q4 2018, when the markets began to dip. 10-year U.S. Treasury yields haven't been this low since 2016, while gold prices are above US\$1,500 per ounce

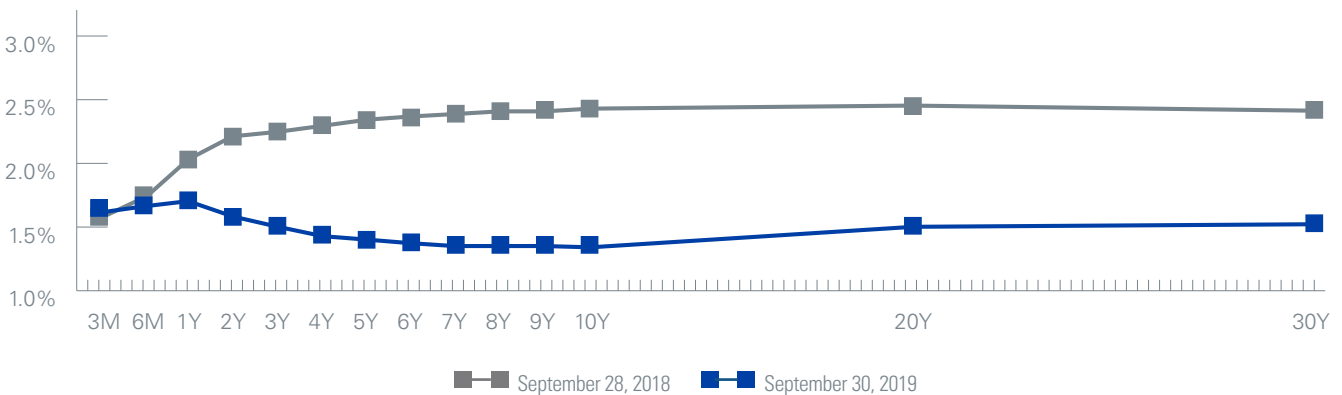
for the first time in six years. The price of gold and the yield on 10-year treasuries have an inverse relationship. With the risk of the U.S.-China trade war escalating, and as recession fears grow, we could see the price of gold and bond yields continue on their current divergent paths for quite a bit longer.

Chart 1: Yields Continue to Fall and Gold Climbs to Six-Year High



Source: Bloomberg, Morningstar.

Chart 2: Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to September 30, 2019, 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	1.3	1.7	3.5	16.3	3.6	4.2	2.2	8.9
S&P/TSX Small Cap	-3.1	-1.9	-2.8	6.9	-9.1	-4.3	-2.5	10.7
S&P 500	1.3	2.3	4.0	15.4	4.5	11.5	12.3	12.2
MSCI EAFE	2.1	-0.6	-0.2	6.8	-2.0	3.9	3.9	11.1
MSCI World	1.5	1.2	2.5	12.5	2.1	8.4	8.7	11.3
MSCI World Small Cap	1.4	-0.1	-0.8	10.2	-4.8	6.4	8.9	13.3
MSCI Europe	2.4	-0.9	-0.3	7.4	-1.5	3.9	2.9	14.5
MSCI EM	1.2	-4.0	-6.3	0.7	-2.2	3.8	3.3	14.0
MSCI AC Asia	1.7	-1.2	-3.1	3.6	-3.2	4.2	5.7	11.7

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	-0.8	1.2	3.7	7.8	9.7	2.7	3.9	3.9
Barclays Global Agg	-1.0	0.7	4.0	6.3	7.6	1.6	2.0	4.7
Barclays High Yield Very Liquid Index	0.3	1.2	3.8	12.2	6.8	5.7	4.7	4.5

Source: Bloomberg.

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

Commodity	09/30/2019 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	54.07	-1.9	-26.2
Natural Gas/mmBTU	2.33	2.0	-22.5
Copper/pound	2.58	1.8	-8.1
Silver/oz	17.00	-6.5	15.5
Gold/oz	1465.70	-3.8	23.0

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP – Q2 (q/q ann. % change)	3.7
Consumer Prices Aug (y/y % change)	1.9
Unemployment Rate, Aug 2019	5.7
United States	
Real GDP – Q2 (q/q ann. % change)	2.0
Consumer Prices Aug (y/y % change)	1.7
Unemployment Rate, Aug 2019	3.7

Source: Bloomberg, Stats Canada.

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

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	-1.2	0.3
Consumer Staples	-0.4	0.8
Energy	5.0	3.1
Financials	6.4	4.0
Health Care	-7.4	-0.8
Industrials	-2.4	2.5
Info Tech	-7.1	1.0
Materials	-7.5	2.5
Real Estate	2.8	0.0
Telecom Services	0.1	0.0
Utilities	2.9	3.5

Source: Bloomberg.

Table 6: Exchange Rates

Cross	09/30/2019	6 Mos Ago	1 Yr Ago
USD/CAD	1.32	1.33	1.29
EUR/CAD	1.44	1.50	1.50
GBP/CAD	1.63	1.74	1.68
CAD/JPY	81.63	83.04	88.09

Source: Bloomberg.

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