



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.

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



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

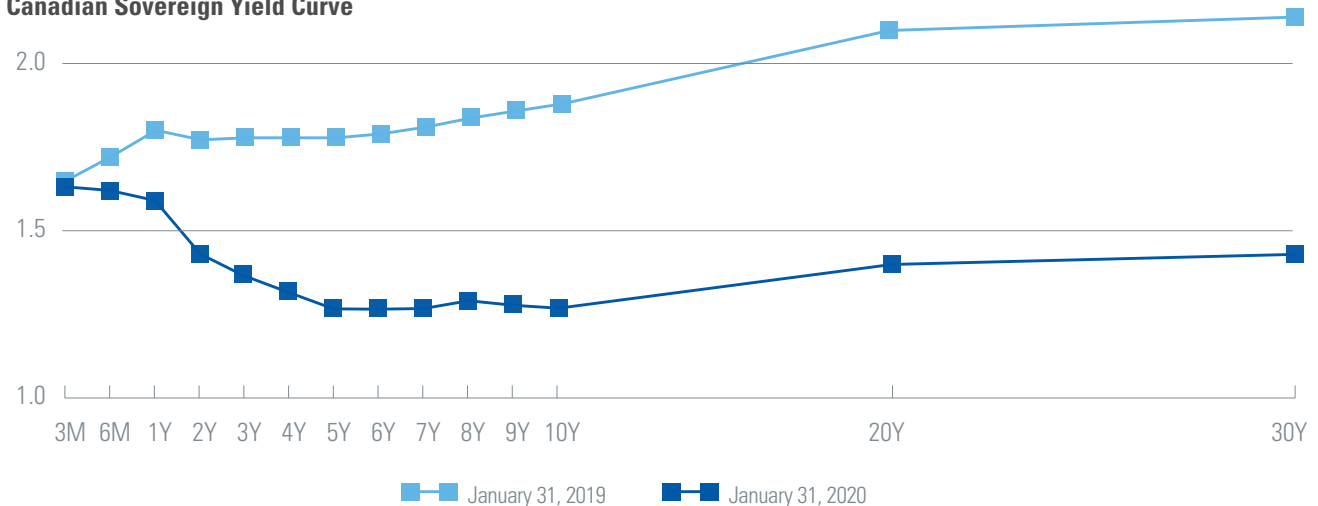
HIV/AIDS epidemic in 1981. Even then, the decline was minimal. Over 12 months, there were only two instances of the market declining after the disease was discovered. Epidemics like the coronavirus understandably have many investors concerned; however, the stock market's track record of a quick recovery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

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.