



iA Wealth Monthly Market Snapshot

Monthly Overview

July 2020

Investors' appetite for risk returned in the second quarter as economies around the world started to re-open following COVID-19 lockdowns. Stocks rebounded from their historic declines in Q1 and credit markets had a strong showing, with central banks and governments continuing to provide enormous amounts of stimulus throughout the quarter. Investor optimism, however, was tempered towards the end of the quarter as new coronavirus cases accelerated in the U.S.

Canada's benchmark S&P/TSX Composite Index finished 16% higher during Q2, with all but one of the benchmark's underlying sectors producing gains during the quarter. Information technology, materials and consumer discretionary sectors led the way with respective gains of 68.2%, 41.6% and 32%. The all-important energy sector sported a 9.3% gain in Q2, after falling 38% the prior quarter. Telecom services was the only sector in the red during the quarter, with a loss of 2.1%. Small cap stocks, as measured by the S&P/TSX Small Cap Index, soared 37.7% for the period.

The Canadian dollar was 3.6% higher versus the greenback during the quarter, which dampened returns from foreign equity markets from a Canadian investor's standpoint. Note that all returns in this paragraph are in Canadian dollar terms. U.S.-based stocks, as measured by the S&P 500 Index, gained 15.1% in Q2, led by consumer discretionary, information technology and energy sectors, with respective gains of 27.2%, 24.9% and 23.5%. International stocks, as measured by the MSCI EAFE index, added 9.6% in Q2, while emerging markets climbed 12.6% during the period.

Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, experienced a 5.9% gain during the quarter, while the key global investment grade bond benchmark increased by 3.3%. Global high-yield issues advanced 9.0% during Q2.

Turning to commodities, the price of oil surged 91.7% in the second quarter, recovering a big chunk of the losses experienced in Q1, as OPEC+ and its allies agreed to production cuts through July. Gold produced a 13.7% gain during the quarter, while silver jumped 31.0%.

Canada's economy added 289,600 jobs in May, after a record two million jobs were lost in April due to pandemic-related shutdowns. Despite the job creation in May, the nation's unemployment rate crept up to 13.7%. Canadian GDP in April fell 11.6% month-over-month and was down 17.1% year-over-year. April retail sales declined 26.4% from a month earlier. Canadian inflation fell 0.4% year-over-year in May, while CPI rose 0.3% month-over-month. The Bank of Canada held its policy rate at 0.25% in June.

U.S. nonfarm payrolls rose by 4.8 million in June after a 2.7 million gain the month prior. This comes after a 20.7 million tumble in April. The U.S. unemployment rate fell to 11.1% from 13.3% the prior month. U.S. retail sales soared 17.7% in May, the largest monthly gain on record, following a 14.7 decrease the prior month. Annual consumer inflation slowed to 0.1% in May. Federal Reserve Chairman Jerome Powell said the COVID-19 pandemic could inflict long-lasting damage on the U.S. economy and signalled the Fed would keep rates near zero, possibly for years to come.

*Content sourced from Bloomberg.

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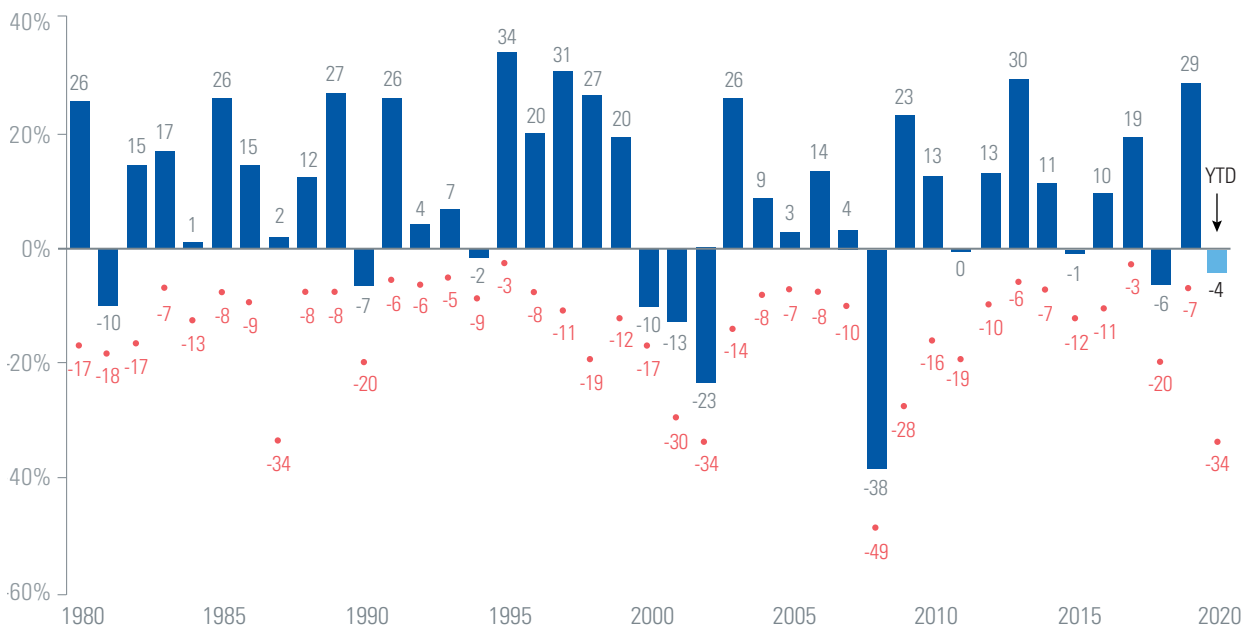


Monthly Market Statistics

We've reached the midway point of 2020, and what a six months it has been. The global economy was brought to an abrupt halt due to the COVID-19 pandemic, with countries around the world locking down. This coincided with the fastest plunge into bear market territory on record. Despite the trials and tribulations faced in the first half of the year, it may be surprising to some that the U.S. stock market was only down 4%

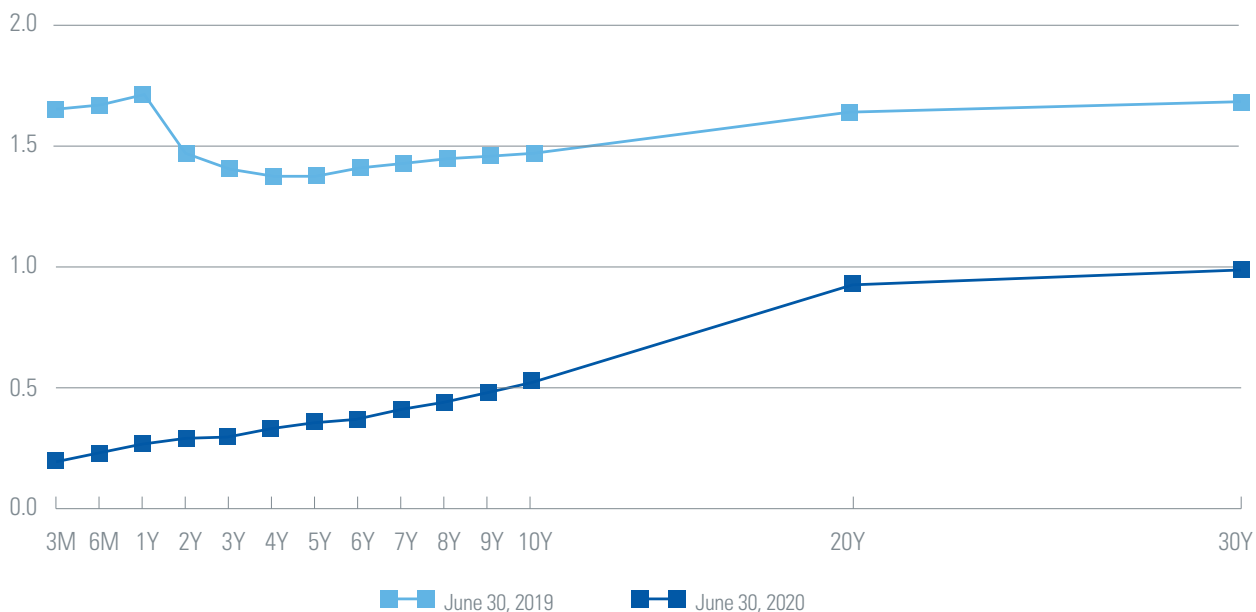
(in local currency terms) on a YTD basis through June 30. It is clear from the last 40 years that the stock market is capable of recovering from extreme intra-year drops and finishing the year in positive territory. And although we are not out of the woods quite yet for 2020, data like this should encourage investors to stay the course even in times of extreme volatility like what was witnessed earlier this year.

Chart of the Month: S&P 500 intra-year declines vs calendar year returns



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management

Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to June 30, 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	2.1	16.0	-9.1	-9.1	-5.3	0.7	1.3	15.6
S&P/TSX Small Cap	5.3	37.7	-15.5	-15.5	-12.5	-6.9	-2.7	26.1
S&P 500	0.4	15.1	0.7	0.7	9.6	10.3	10.4	16.9
MSCI EAFE	1.8	9.6	-8.3	-8.3	-3.7	-0.3	1.1	15.3
MSCI World	1.1	14.1	-2.1	-2.1	5.1	6.4	6.7	16.3
MSCI World Small Cap	1.0	19.1	-9.3	-9.3	-2.9	2.0	4.5	20.9
MSCI Europe	2.8	9.9	-9.7	-9.7	-4.9	-1.1	0.4	18.3
MSCI EM	5.5	12.6	-6.3	-6.3	-1.9	1.0	2.2	18.5
MSCI AC Asia	3.4	10.7	-3.0	-3.0	2.6	2.3	3.3	15.2

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	1.7	5.9	7.5	7.5	7.9	5.3	4.2	4.5
Barclays Global Agg	0.9	3.3	3.0	3.0	4.2	3.8	3.6	3.9
Barclays High Yield Very Liquid Index	0.0	9.0	-4.5	-4.5	-0.7	3.0	4.2	8.5

Source: Bloomberg.

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

Commodity	06/30/2020 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	39.27	10.7	-32.8
Natural Gas/mmBTU	1.75	-5.3	-24.1
Copper/pound	2.71	11.9	0.3
Silver/oz	18.54	0.2	21.6
Gold/oz	1800.50	3.7	27.4

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP – Q1 (q/q ann. % change)	-8.2
Consumer Prices May (y/y % change)	-0.4
Unemployment Rate, May 2020	13.7
United States	
Real GDP – Q1 (q/q ann. % change)	-5.0
Consumer Price May (y/y % change)	0.1
Unemployment Rate, June 2020	11.1

Source: Bloomberg, Stats Canada.

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

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	1.7	3.5
Consumer Staples	-0.6	-2.1
Energy	-5.3	-2.8
Financials	3.4	-1.9
Health Care	-3.5	-3.9
Industrials	1.3	0.5
Info Tech	13.5	5.6
Materials	4.3	0.4
Real Estate	2.8	-0.4
Telecom Services	-3.6	-1.9
Utilities	-1.0	-6.3

Source: Bloomberg.

Table 6: Exchange Rates

Cross	06/30/2020	6 Mos Ago	1 Yr Ago
USD/CAD	1.36	1.30	1.31
EUR/CAD	1.53	1.46	1.49
GBP/CAD	1.68	1.72	1.66
CAD/JPY	79.50	83.63	82.32

Source: Bloomberg.

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