

Monthly Market Snapshot

November 2018



Monthly Overview

The first month of the fourth quarter certainly left its mark on investors, although that mark came in the form of a deep, cutting wound that is anything but desirable. Rising rates, trade war fears, choppy earnings and the prospect of slower global economic growth were assigned blame.

Canada's benchmark S&P/TSX Composite index slid 6.3% in October, and the punishment was widespread. Energy stocks lost 9.1% of their values, info tech stocks tumbled 8.1% and consumer discretionary names plummeted 6.4%. Health care stocks, which account for only a small fraction of the overall value of the index, faced the most severe loss of any sector, 17.6%, as marijuana stocks were smashed following cannabis legalization in Canada. Defensive sectors, such as telecom services, utilities and consumer staples, were also down on the month but the losses there were far more muted. For the 12 months ended October 31, the Canadian index showed a loss of 3.4%.

The U.S. dollar moved 2.5% higher versus the loonie in October, as fear pushed investors into the perceived safety of the greenback. Despite the currency pickup for Canadian investors, the S&P 500 was still off 5.3% in CAD terms during the period, the worst month in more than seven years for the index. Consumer discretionary, energy and industrials were sectors that each experienced a loss of 9% or more during October. Volatility came back in spades in October for equity markets around the globe, and an interesting stat to illustrate just how volatile the month was for stocks is this: the S&P 500 experienced swings of 1% or more during ten trading days in a 16 day stretch. That followed 74 straight trading days with no swings in excess of 1%.

There was no reprieve for stock investors with international exposure either. The MSCI EAFE benchmark shed 6.4% while emerging markets stocks sank 7.2%. On a year-over-year basis,

the MSCI Index was lower by 10.4% to October 31 in CAD terms.

Bond investors didn't have a good go of things in October either. Canadian investment grade issues slipped 0.6% in aggregate on the month and the global investment grade benchmark shed 1.1% as interest rates slowly plodded higher. Both the YTD and one year returns for global and Canadian investment grade bonds through October 31 were negative.

Turning briefly to commodities, crude oil prices were slammed as the per barrel price of WTI ended the month at US\$65.31, a decline of almost 11%. That came in the face of an 8.4% improvement in natural gas prices.

The Bank of Canada raised its policy rate by 25 basis points to 1.75% on October 24. This marked the third rate hike on the part of the Bank this year. Most lending institutions have been increasing their prime rates along with the policy rate hikes, meaning consumers with floating-rate debt, including many mortgage holders, have seen a steady increase in their borrowing costs. The good news for savers is that rising interest rates have resulted in better yields on short-term deposit products. The move on the part of the Bank of Canada follows September's quarter point hike on the part of the U.S. Federal Reserve. The fed next meets in early November, but forecasters don't expect an increase until its mid-December meeting.

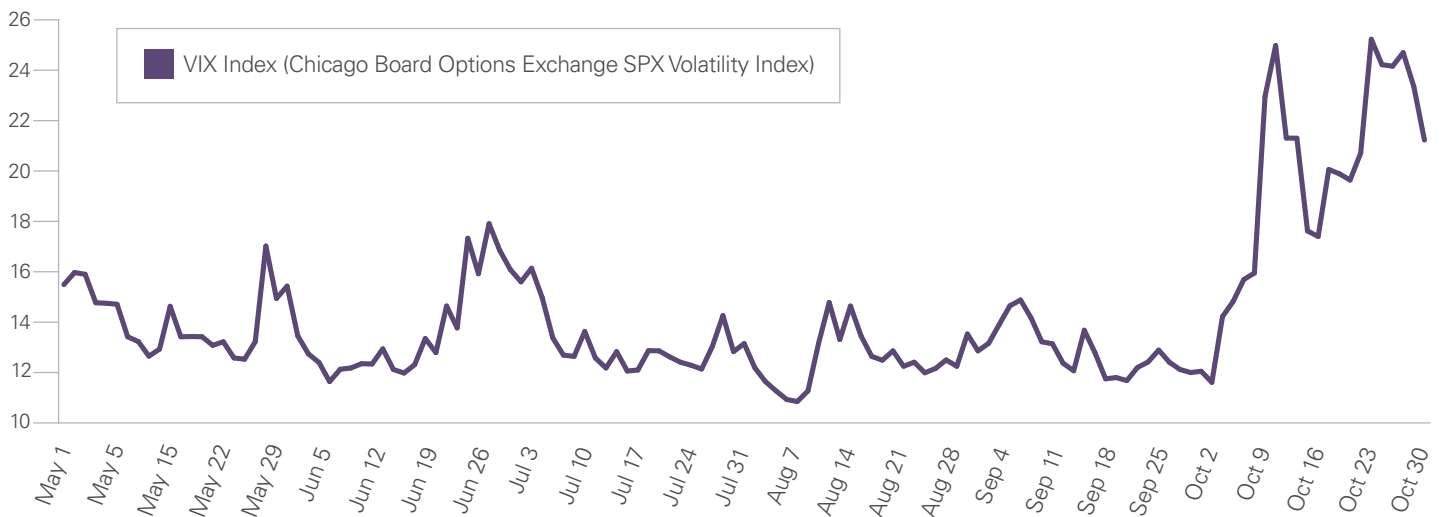
The Canadian economy is on target for 2% growth in 2018. That's a solid number, and more clarity around trade along with solid labour conditions and constructive commentary from business around investment should be supportive of further "normalization" of the Bank of Canada's policy rates. Economists are calling for a further two or three rate hikes before 2019 comes to a close.

Monthly Market Statistics

Data to October 31, 2018, unless otherwise indicated

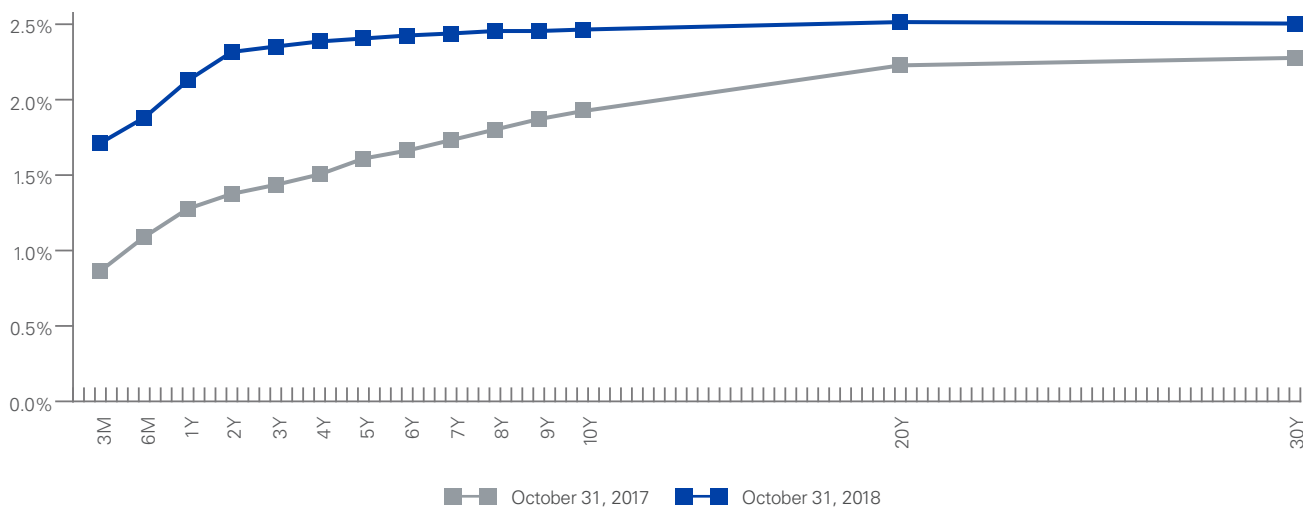
Higher interest rates, renewed trade fears, disappointing earnings, and concerns about slowing global growth all contributed to October's challenges. And this can be encapsulated in the rise of the VIX in the month of October. The VIX is a measure of the broad U.S. stock market's expectation of volatility. It is forward looking and seeks to predict the variability of future market movements. It's also sometimes referred to as the "fear index." The chart below tracks the level of the VIX over the past six months and shows that the implied fear in the markets has taken off recently.

Chart of the Month: A Volatile October



Source: Bloomberg

Canadian Sovereign Yield Curve



Source: Bloomberg

Monthly Market Statistics

Data to October 31, 2018, unless otherwise indicated

Equity Index Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
S&P/TSX Composite	-6.3	-7.9	-2.3	-5.0	-3.4	6.7	5.4	7.4
S&P/TSX Small Cap	-7.6	-9.3	-8.9	-11.7	-9.1	6.7	1.8	13.1
S&P 500	-5.3	-2.1	6.1	8.2	9.5	11.7	16.6	9.3
MSCI EAFE	-6.4	-7.8	-7.4	-4.3	-4.5	4.4	7.5	11.0
MSCI World	-5.8	-4.5	0.6	3.1	3.8	8.8	12.5	9.5
MSCI World Small Cap	-8.4	-8.1	-3.4	-0.6	0.3	9.4	12.4	11.5
MSCI Europe	-6.2	-9.1	-8.4	-5.2	-6.2	3.3	6.6	14.0
MSCI EM	-7.2	-10.6	-14.2	-11.3	-10.4	7.2	6.0	14.8
MSCI AC Asia	-8.0	-8.7	-10.4	-7.4	-6.7	6.8	8.9	12.1

Source: Bloomberg

Fixed Income Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1Yr	3Yr	5Yr	3Yr Std Dev
FTSE TMX Canada Universe Bond	-0.6	-0.8	-0.2	-1.0	-0.6	1.5	2.9	3.4
Barclays Global Agg	-1.1	-1.9	-3.2	-3.5	-2.0	1.5	0.3	5.0
Barclays High Yield Very Liquid Index	-0.1	0.6	3.7	5.5	2.3	5.8	8.6	5.1

Source: Bloomberg

Commodity Prices (Prices and Returns in USD)

Commodity	10/31/2018 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	65.31	-10.8	20.1
Natural Gas/mmBTU	3.26	8.4	12.6
Copper/pound	2.66	-5.2	-14.3
Silver/oz	14.28	-2.9	-14.4
Gold/oz	1215.00	2.0	-4.4

Source: Bloomberg

Economic Data

Canada	
Real GDP - Q2 (q/q ann. % change)	2.9
Consumer Prices Sep (y/y % change)	2.2
Unemployment Rate, October '18	5.8
United States	
Real GDP - Q3 (q/q ann. % change)	3.5
Consumer Prices Sep (y/y % change)	2.3
Unemployment Rate, October '18	3.7

Source: Bloomberg, Stats Canada

One Month Sector Returns (% in CAD)

Sector	S&P/TSX Composite	S&P 500
Consumer Discretionary	-6.4	-9.8
Consumer Staples	-0.7	4.0
Energy	-9.1	-9.8
Financials	-6.3	-3.1
Health Care	-17.6	-5.1
Industrials	-5.9	-9.3
Info Tech	-8.1	-6.4
Materials	-4.6	-7.9
Real Estate	-3.0	0.0
Telecom Services	-2.1	-4.2
Utilities	-2.6	3.7

Source: Bloomberg

Exchange Rates

Cross	2018-10-31	6 Mos Ago	1Yr Ago
USD/CAD	1.32	1.28	1.29
EUR/CAD	1.49	1.55	1.50
GBP/CAD	1.68	1.77	1.71
CAD/JPY	85.84	85.14	88.17

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 readers should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The readers 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 Authors' Certification

The author whose name appears on the front page of this Investment Fund Research report hereby certifies that (i) the opinion 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 recovered 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 U.S. Residents: This report is not intended for distribution in the United States.

For E.U. Residents: This report is not intended for distribution in the European Union.

For U.K. 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 ('CIPF') and the Investment Industry Regulatory Organization of Canada ('IIROC').

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.

INVESTED IN YOU.