



iA Wealth Monthly Market Snapshot

Monthly Overview

November 2019

It was an event-filled month of October with the Bank of Canada and the U.S. Federal Reserve revealing their differing monetary policies, the S&P 500 hitting a record high as better-than expected earnings results came pouring in, and U.S.-China trade tensions still causing a world of uncertainty. In the end, Canadian stocks failed to match the strength of global equity markets for the month. Canada's benchmark S&P/TSX Composite Index slid 1.1% in October, while U.S. stocks, as measured by the S&P 500, were 1.4% higher in Canadian dollar terms. The greenback moved 0.6% higher versus the loonie for the month. Note that all returns in the following paragraphs are in CAD terms.

Only two of the 11 underlying sectors of the S&P/TSX Composite Index were in the black for the month, with materials and industrials producing returns of 2.9% and 0.8%, respectively. Meanwhile, weakness in consumer staples, consumer discretionary and energy stocks weighed on the broad equity market. Those sectors posted respective declines of 4.6%, 4.3% and 4.3%. The financials sector, which makes up almost one-third of the Canadian index, slipped 0.1%. The health care sector fell another 4.6%, as cannabis stocks continue to fade. Canadian small-cap stocks faced similar pressure, as the S&P/TSX Small Cap benchmark gave back 2.0%.

Health care, technology, and telecom sectors led the way for the U.S. market in October, producing respective gains of 4.4%, 3.2% and 2.1%. The U.S. equity market closed the month near its all-time high, with the majority of S&P 500 companies reporting a positive third quarter earnings surprise. Industry heavyweights Facebook, Apple and Microsoft delivered better-than-expected earnings, while Alphabet and Amazon missed estimates.

International stocks performed well in October, with the MSCI EAFE benchmark gaining 2.9%. Emerging market stocks, as measured by the MSCI EM Index, was higher by 3.5%. MSCI Europe showed a 2.4% improvement.

Canadian investment grade issues slipped 0.2% in aggregate on the month, while the global investment grade benchmark added 0.7%. Global high-yield issues increased 0.3%.

Turning briefly to commodities, crude oil prices were little changed for the month, while natural gas prices improved by 13%. Gold increased 3.3% to trade at US\$1515/oz on October 31, as safe haven assets continued to attract investors.

The Canadian economy added 53,700 jobs in September following a gain of 81,100 in August. This lowered the unemployment rate from 5.7% to 5.5%. Canadian consumer prices stayed around the Bank of Canada's inflation target, as annual inflation in September was unchanged at 1.9%. Governor Stephen Poloz cited inflation being close to target and the domestic economy holding up well as key reasons to keep the policy rate on hold.

Meanwhile, the Federal Reserve cut its benchmark interest rate for the third time this year to keep the economic expansion going in the face of uncertainties surrounding trade conflicts and slowing global growth. U.S. GDP grew at a 1.9% annualized rate in the third quarter, topping expectations. U.S. consumer spending rose 0.2% in September. Inflation was steady as consumer prices were unchanged for a second consecutive month in September.

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Monthly Market Statistics

Data to October 31, 2019, unless otherwise indicated

Despite trade tensions, slowing global growth and recession noise, 2019 has been a fabulous year for equity markets. Take the S&P 500, for example. The index has produced a 21.2% gain in USD terms through the first 10 months of the year and has reached a record closing high 15 times so far in 2019. Can this run continue as the year draws to a close? Past data lead us to believe it's possible. Using numbers going back to 1950, LPL Research has

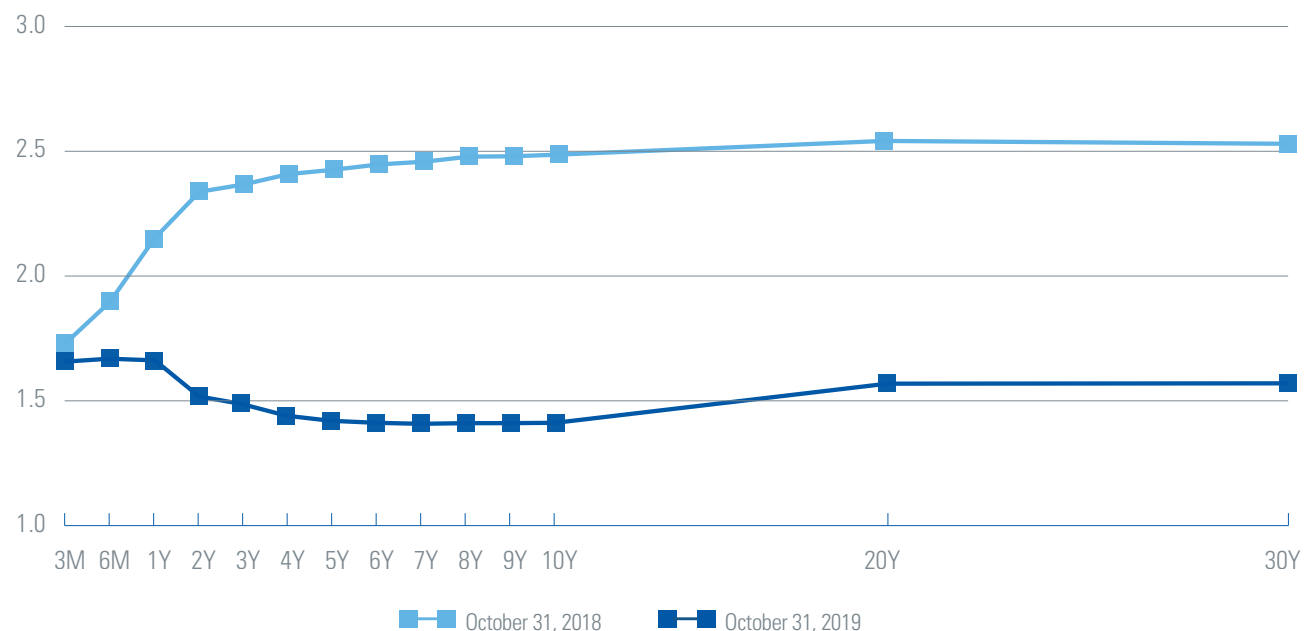
shown that when the S&P 500 was up more than 20% on a year-to-date basis to the end of October, the index has never failed to show a positive return over the final two months of the year and the average gain has been 6.2% for those final two months. While past performance is no guarantee of future results, these numbers show that momentum in the first 10 months of the year usually leads to a strong finish.

Chart 1: Are We in for a Strong Finish to 2019?

Year	S&P 500 Index Level	YTD Return Through Oct. 31	November Return	December Return	Return Final Two Months
1954	31.68	27.7%	8.1%	5.1%	13.6%
1958	51.33	28.4%	2.2%	5.2%	7.6%
1975	89.04	29.9%	2.5%	-1.2%	1.3%
1989	340.36	22.6%	1.7%	2.1%	3.8%
1995	581.5	26.6%	4.1%	1.7%	5.9%
1997	914.62	23.5%	4.5%	1.6%	6.1%
2013	1,756.54	23.2%	2.8%	2.4%	5.2%
2019	3,037.56	21.2%	?	?	?
Average			3.7%	2.4%	6.2%

Source: LPL Research.

Chart 2: Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to October 31, 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	-1.1	0.5	-0.6	15.1	9.7	3.7	2.4	9.0
S&P/TSX Small Cap	-2.0	-6.6	-4.4	4.8	-3.5	-4.0	-1.1	10.7
S&P 500	1.4	2.0	1.2	17.1	12.0	11.9	11.9	12.1
MSCI EAFE	2.9	3.2	-0.1	9.8	7.8	4.9	4.6	11.2
MSCI World	1.8	2.2	0.6	14.5	10.5	9.1	8.8	11.3
MSCI World Small Cap	2.1	1.0	-2.0	12.5	6.1	7.7	8.9	13.1
MSCI Europe	2.4	2.9	-1.4	9.9	7.7	5.1	3.8	14.6
MSCI EM	3.5	0.6	-5.2	4.2	9.0	4.2	3.7	14.2
MSCI AC Asia	3.7	3.1	-1.4	7.4	9.2	4.8	6.1	11.9

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	-0.2	0.8	3.7	7.6	10.2	2.9	3.8	3.8
Barclays Global Agg	0.7	1.7	5.0	7.0	9.5	2.8	2.1	4.3
Barclays High Yield Very Liquid Index	0.3	1.1	2.6	12.5	9.1	5.8	4.5	4.5

Source: Bloomberg.

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

Commodity	10/31/2019 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	54.18	0.2	-17.0
Natural Gas/mmBTU	2.63	13.0	-19.3
Copper/pound	2.64	2.3	-0.8
Silver/oz	18.07	6.3	26.5
Gold/oz	1514.80	3.3	24.7

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP – Q2 (q/q ann. % change)	3.7
Consumer Prices Sep (y/y % change)	1.9
Unemployment Rate, Sep '19	5.5
United States	
Real GDP – Q2 (q/q ann. % change)	1.9
Consumer Prices Sep (y/y % change)	1.7
Unemployment Rate, Oct '19	3.6

Source: Bloomberg, Stats Canada.

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

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	-4.3	-0.3
Consumer Staples	-4.6	-0.9
Energy	-4.3	-3.0
Financials	-0.1	1.6
Health Care	-4.6	4.4
Industrials	0.8	0.4
Info Tech	-1.1	3.2
Materials	2.9	-0.6
Real Estate	-2.7	-0.8
Telecom Services	-1.5	2.1
Utilities	-1.1	-1.4

Source: Bloomberg.

Table 6: Exchange Rates

Cross	10/31/2019	6 Mos Ago	1 Yr Ago
USD/CAD	1.32	1.34	1.32
EUR/CAD	1.47	1.50	1.49
GBP/CAD	1.70	1.74	1.68
CAD/JPY	82.06	83.24	85.84

Source: Bloomberg.

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