



iA Wealth Monthly Market Snapshot

Monthly Overview

December 2019

Canadian and U.S. stock markets hit record highs in November, as optimism towards a partial trade deal between China and the U.S. improved throughout the month. Investors took confidence in the fact that the world's two largest economies agreed to roll back tariffs on each other's goods in phases, which culminated in President Donald Trump declaring that talks with China on 'Phase 1' of a trade deal were near completion in the final days of November. When the month came to a close, all of the key equity market gauges we follow ended up in the black.

Canada's benchmark S&P/TSX Composite Index gained 3.4% in November. Leading the way for the Canadian stock market was the information technology sector, which jumped 8.6%. The all-important energy and financials sectors, which account for nearly half the value of the Canadian index, gained 4.7% and 3.0%, respectively. The health care sector fell another 2.8%, as the marijuana stock bubble continued to deflate. Canadian small-cap stocks lagged against the broader Canadian benchmark in November, producing a 2.5% return. Since the start of the year, the S&P/TSX Composite Index has outperformed the S&P/TSX Small Cap Index by 13.3%.

The loonie shed close to 1% versus the greenback over the month, providing a slight boost to returns of foreign markets in CAD terms. Note that all returns in the following paragraphs are in CAD terms. U.S.-based stocks, as measured by the S&P 500 Index, were 4.3% higher. The technology, financials and health care sectors led the way, producing gains of 6.1%, 5.8% and 5.8%, respectively. Earnings season came to a close, with around 80% of S&P 500 Index companies beating earnings estimates in Q3.

International stocks, as measured by the MSCI EAFE Index, gained 1.9% and European stocks improved by 2.5%. Emerging market equities had a marginal loss in USD terms, but when translated into CAD terms were 0.7% higher for the month.

The fixed-income indices we follow were fairly muted for the month. The Canadian investment grade bond index produced a total return of 0.5%, while global investment grade bonds slipped 0.8%. Global high-yield issues increased 0.4%.

Turning briefly to commodities, crude oil prices gained 1.8% for the month, while natural gas prices retreated by 13%, as record production outpaced demand for the heating fuel in November. Gold suffered as risk appetite from investors grew in November. The price of gold fell 3.2% during November and closed the month at US\$1,466/oz.

Canada's gross domestic product expanded at an annualized pace of 1.3% in the third quarter, which was in line with economist estimates. Consumer spending rose by 1.6%. Annual inflation was unchanged at 1.9% in October, while Canada's unemployment rate for October also remained steady at 5.5%.

U.S. GDP grew at an annualized pace of 2.1% in the third quarter, which was better than initially reported. Meanwhile, the U.S. consumer price index in October climbed 1.8% annually, topping forecasts. The U.S. jobless rate edged up to 3.6% from a half-century low. The Federal Reserve stood on the sidelines in November, with Fed chairman Jerome Powell signalling interest rates are unlikely to adjust anytime soon, so long as the economy remains on its current path.

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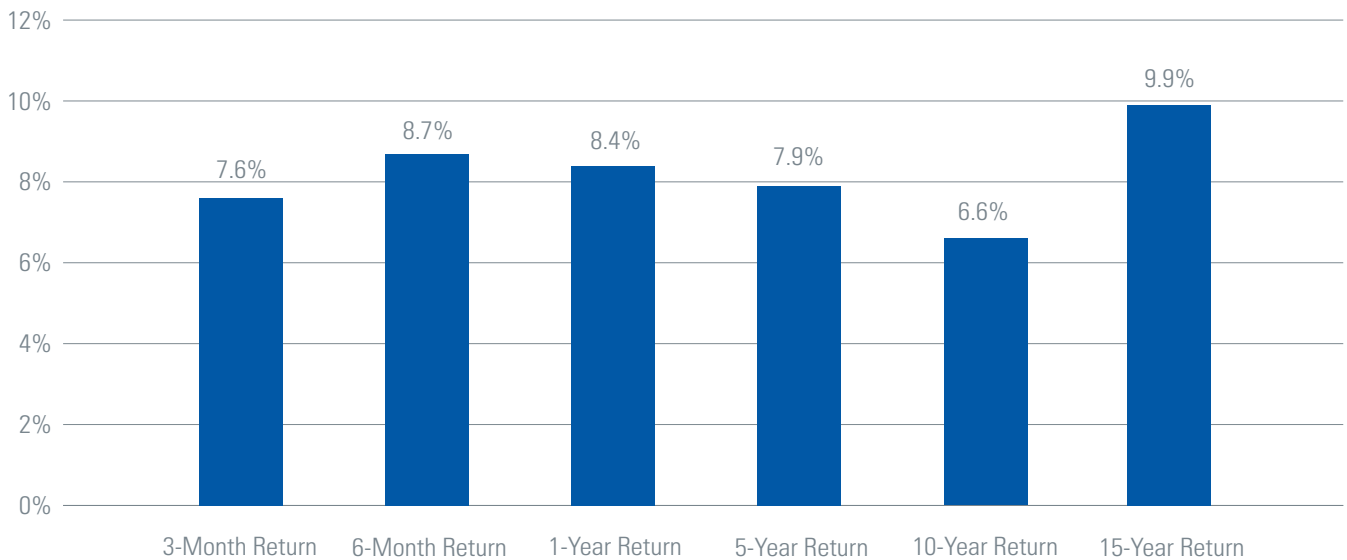


Monthly Market Statistics

Equity market performance has been impressive since last year's fourth quarter sell-off, with the S&P/TSX Composite Index and the S&P 500 Index up 19% and 22%, respectively, through the first 11 months of this year. In November alone, the S&P 500 Index closed at an all-time high 11 times. After such a phenomenal run, some are probably asking if there is any gas left in the tank for the markets. Using numbers going back to 1950, LPL Research has shown that the average returns

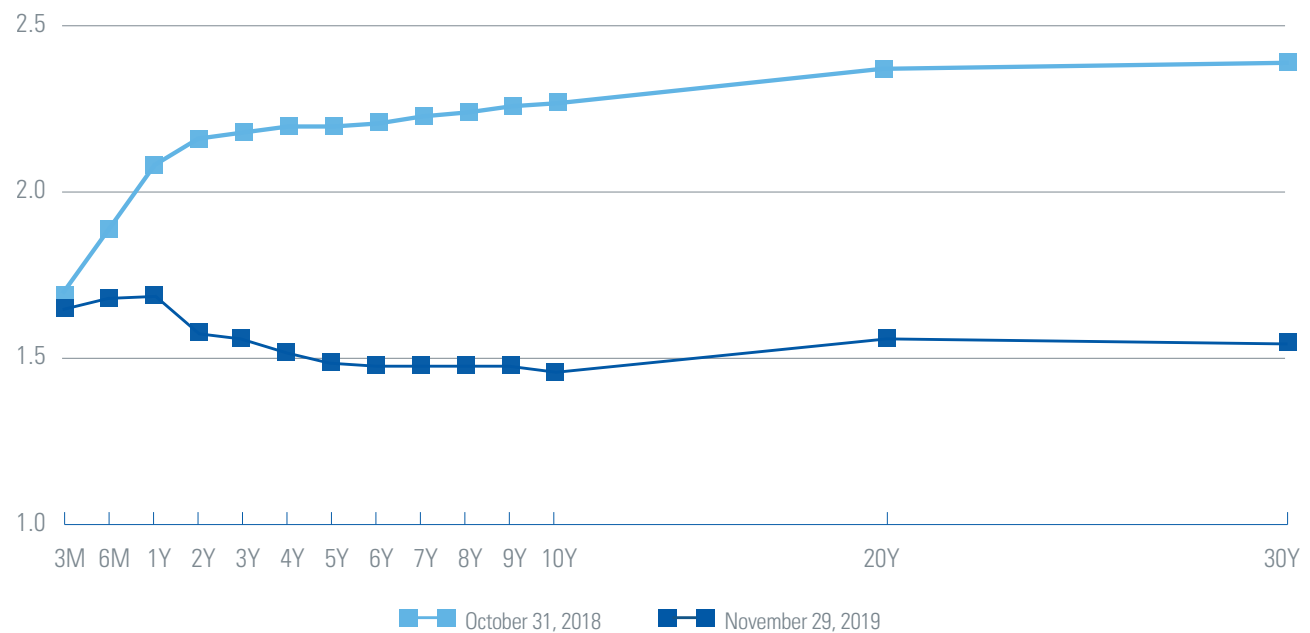
of the S&P 500 Index over the short and long term have been quite good in the periods after the index notches a record high. For example, the average 3-month return of the index following a new closing high has been 7.6%, while the average 15-year return after a record high has been 9.9%. No one can predict when this run will end, but investors can take comfort in knowing records highs are typically followed by solid performance.

Chart of the Month: How Much Gas Is Left in the Tank as We Hit Record Highs?
S&P 500 Index Average Returns After Record Highs Since 1950



Source: LPL Research.

Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to November 29, 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	3.4	3.6	6.3	19.0	12.1	4.2	2.9	9.1
S&P/TSX Small Cap	2.5	-2.7	2.5	7.4	3.2	-3.8	-0.6	10.7
S&P 500	4.3	7.2	12.1	22.2	13.6	12.3	12.0	12.1
MSCI EAFE	1.9	7.0	6.7	11.9	8.9	6.3	4.5	11.1
MSCI World	3.6	7.0	10.0	18.6	12.1	9.9	8.9	11.3
MSCI World Small Cap	4.1	7.7	8.5	17.1	8.7	7.7	9.4	13.1
MSCI Europe	2.3	7.2	6.6	12.4	9.9	6.8	3.5	14.6
MSCI EM	0.7	5.5	2.3	5.0	4.4	6.1	3.7	13.9
MSCI AC Asia	1.3	6.8	5.6	8.8	6.5	6.1	6.2	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	0.5	-0.5	2.5	8.2	9.6	3.8	3.5	3.5
Barclays Global Agg	-0.8	-1.1	2.8	6.2	8.4	3.9	2.0	3.6
Barclays High Yield Very Liquid Index	0.4	0.9	4.5	12.9	10.2	6.1	4.7	4.5

Source: Bloomberg.

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

Commodity	11/29/2019 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	55.17	1.8	8.3
Natural Gas/mmBTU	2.28	-13.4	-50.5
Copper/pound	2.64	0.2	-4.9
Silver/oz	16.97	-6.1	20.4
Gold/oz	1465.60	-3.2	20.1

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP – Q3 (q/q ann. % change)	1.3
Consumer Prices Oct. (y/y % change)	1.9
Unemployment Rate, Oct '19	5.5
United States	
Real GDP – Q3 (q/q ann. % change)	2.1
Consumer Prices Oct. (y/y % change)	1.8
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	5.3	2.1
Consumer Staples	5.8	2.0
Energy	4.7	2.0
Financials	3.0	5.8
Health Care	-2.8	5.8
Industrials	3.7	5.1
Info Tech	8.6	6.1
Materials	-0.2	3.8
Real Estate	2.1	-1.1
Telecom Services	3.9	4.7
Utilities	2.5	-1.4

Source: Bloomberg.

Table 6: Exchange Rates

Cross	11/29/2019	6 Mos Ago	1 Yr Ago
USD/CAD	1.33	1.35	1.33
EUR/CAD	1.46	1.51	1.50
GBP/CAD	1.72	1.71	1.69
CAD/JPY	82.44	80.12	85.45

Source: Bloomberg.

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