



iA Wealth Monthly Market Snapshot

Monthly Overview

January 2020

What a difference a year makes. Coming off of the worst year for stocks since the financial crisis, 2019 saw equity markets bounce back around the globe in a big way. Despite some challenges coming into the year, including slowing global growth, central bank missteps and the escalation of the U.S.-China trade war, 2019 produced double-digit returns for most major equity markets, not to mention very healthy returns for broader fixed income benchmarks.

Trade uncertainty remained front and centre in 2019, leading to increased equity market volatility throughout the year. Despite the volatility, equity markets flourished, led by the technology sector in the U.S. and a bounce back year for energy. Loosening monetary policy by central banks also provided support for stock markets. On the year, the S&P/TSX Composite Index gained 19.1%, while the S&P 500 Index advanced 22.8% in Canadian dollar terms. International stocks, as measured by the MSCI EAFE Index, were up 12.8% in CAD terms. Bond yields tumbled in 2019, as investor appetite in fixed income remained strong throughout the year. Investment grade bonds, as measured by the FTSE Universe Index, finished almost 7% higher for 2019 and high-yield issues were up 15% in aggregate.

Turning to the year's final quarter, the Canadian equity benchmark finished 2.4% higher. Six of the 11 underlying sectors of the S&P/TSX Composite produced positive returns during the period, led by the information technology and materials sectors, with respective gains of 10.7% and 7.4%. The all-important financials and energy sectors, which account for nearly half the value of the Canadian index, produced mixed results for Q4. Financials posted marginal gains, while energy was up 5.9%. Health care, which represents 1.3% of the index, fell 6.0% for the quarter as weed stocks continued their freefall. Canadian small-cap stocks fared well in Q4, as the S&P/TSX Small Cap benchmark gained 5.5%.

The loonie advanced 1.9% versus the greenback over the final quarter of the year, slightly depressing returns of foreign markets in Canadian dollar terms. (All returns noted in this paragraph are in CAD terms). U.S. stocks, as measured by the S&P 500 Index, finished Q4 6.4% higher. Technology and health care led the way with respective gains of 11.7% and 11.6%. The real estate sector had the biggest drop, falling 3.3% during the quarter. International stocks produced solid returns in the fourth quarter, as the MSCI EAFE Index gained 5.7%. Emerging market stocks bounced back in the final quarter of 2019, with the MSCI EM Index producing a 9.1% return.

Canadian investment grade bonds, as measured by the FTSE Universe Index, slipped 0.9% during Q4, while global investment grade bonds increased 0.5%. Global high-yield issues gained 2.7% for the quarter.

The picture for commodities was quite mixed in the final quarter of 2019. The price of a barrel of oil increased 12.9% in Q4 to end the year at US\$61, while natural gas prices were lower by 6.1%. The price of gold ended Q4 3.9% higher as investors continued to seek out safer assets.

Canada's economy contracted in October with real GDP slipping 0.1%, marking the first decline in eight months. Inflation rose 2.2% in November from a year earlier. The nation's job market weakened in November, increasing the unemployment rate to 5.9%, from 5.5% the previous month – the biggest one-month increase since 2009. The Bank of Canada kept rates steady at 1.75% in Q4.

U.S. economic growth crept up in the third quarter, as GDP increased at a 2.1% annualized rate. The U.S. jobless rate fell to 3.5% in November, matching the lowest level since 1969. The U.S. Federal Reserve kept rates steady to end the year after lowering the benchmark rate by a quarter-point in October.

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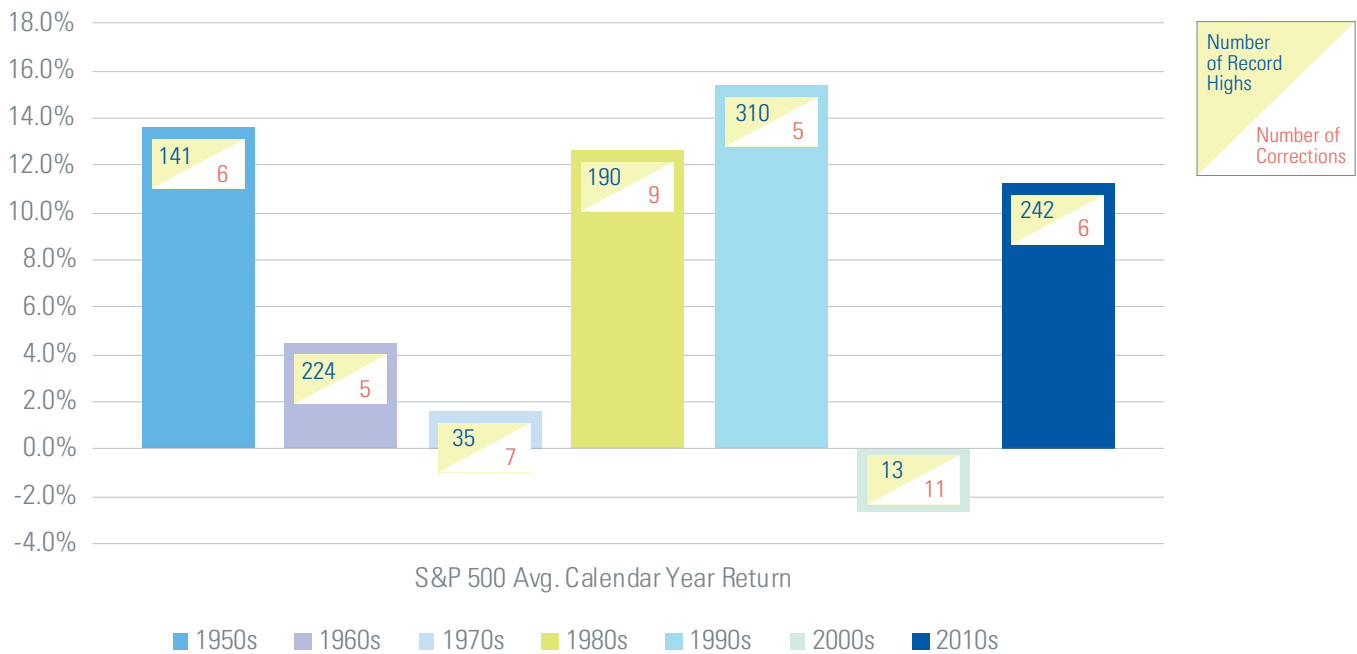


Monthly Market Statistics

The 2000s brought us two economic recessions to go along with two of the largest stock market crashes in history. What came out of that decade has been the longest bull market on record. At the end of 2009, the S&P 500 index level was 1,115. Over the last 10 years we've seen a wave of economic growth and improved earnings, as the benchmark hit new record highs 242 times. At the

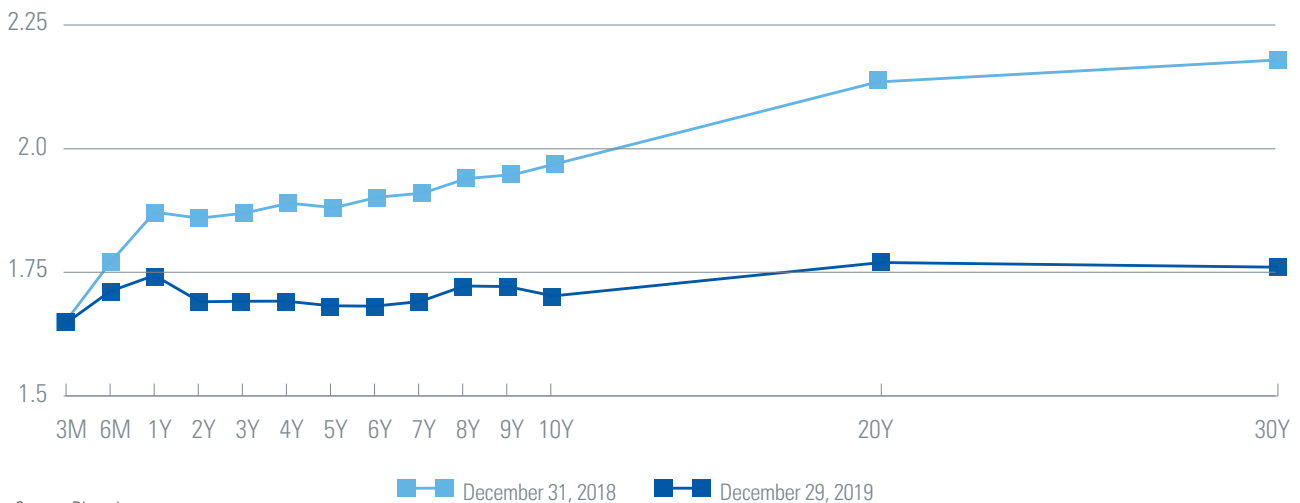
end of 2019, the S&P 500 index stood at 3239, almost triple where it was at the start of the last decade. There were some bumps along the way, as the S&P 500 posted six corrections (defined as a 10% decline from a 52-week high) over the past 10 years, however, despite all the volatility and uncertainty, the 2010s turned out to be a great decade for equity investors.

Chart of the Month: A Great Decade for the Stock Market



Source: LPL Research.

Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to December 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	0.1	2.4	4.2	19.1	19.1	3.7	3.1	9.1
S&P/TSX Small Cap	5.1	5.5	3.6	12.8	12.8	-3.3	0.6	10.9
S&P 500	0.5	6.4	8.9	22.8	22.8	11.7	11.9	12.1
MSCI EAFE	0.8	5.7	5.0	12.8	12.8	5.3	5.1	11.1
MSCI World	0.5	6.0	7.3	19.3	19.3	9.1	9.0	11.3
MSCI World Small Cap	1.0	7.3	7.1	18.2	18.2	7.1	9.2	13.1
MSCI Europe	1.6	6.3	5.4	14.2	14.2	5.4	4.4	14.4
MSCI EM	4.7	9.1	4.7	9.9	9.9	7.6	5.4	14.4
MSCI AC Asia	1.8	7.0	5.7	10.8	10.8	6.8	6.7	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	-1.2	-0.9	0.3	6.9	6.9	3.6	3.2	3.6
Barclays Global Agg	0.6	0.5	1.2	6.8	6.8	4.3	2.3	3.6
Barclays High Yield Very Liquid Index	2.1	2.7	4.0	15.2	15.2	6.1	5.5	4.5

Source: Bloomberg.

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

Commodity	12/31/2019 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	61.06	10.7	34.5
Natural Gas/mmBTU	2.19	-4.0	-25.5
Copper/pound	2.80	5.9	6.3
Silver/oz	17.92	5.6	15.3
Gold/oz	1523.10	3.9	18.9

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP – Q3 (q/q ann. % change)	1.3
Consumer Prices Nov. (y/y % change)	2.2
Unemployment Rate, Nov. 2019	5.9
United States	
Real GDP – Q3 (q/q ann. % change)	2.1
Consumer Prices Nov. (y/y % change)	2.1
Unemployment Rate, Nov. 2019	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	-3.6	0.3
Consumer Staples	-5.2	-0.3
Energy	5.7	3.4
Financials	-2.7	0.1
Health Care	1.3	1.1
Industrials	0.2	-2.4
Info Tech	3.2	2.0
Materials	4.6	0.5
Real Estate	-2.8	-1.5
Telecom Services	-2.4	-0.4
Utilities	-0.3	0.8

Source: Bloomberg.

Table 6: Exchange Rates

Cross	12/31/2019	6 Mos Ago	1 Yr Ago
USD/CAD	1.30	1.31	1.36
EUR/CAD	1.46	1.49	1.56
GBP/CAD	1.72	1.66	1.74
CAD/JPY	83.63	82.32	80.41

Source: Bloomberg.

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