



# iA Wealth Monthly Market Snapshot

## Monthly Overview

March 2020

The final week of February saw global equity markets experience a thrashing not seen since the financial crisis of 2008. Fears over COVID-19, a form of coronavirus, reached a fever pitch as panic overtook financial markets. Since the first indications of the virus were detected in central China in December, over 60 countries have reported cases of the illness, with the World Health Organization declaring the outbreak a public health emergency of international concern. After reaching record highs the week prior, the S&P/TSX Composite Index and the S&P 500 Index plunged 8.9% and 11.5%, respectively, in local currency terms, during February's final week. The losses were the worst either index experienced during a single week since the financial crisis.

Canada's benchmark S&P/TSX Composite Index ended February down 6.1% and the punishment was widespread. Stocks within the materials sector tumbled 7.6%, energy names fell 7.5%, and consumer discretionary stocks lost 7.3%. The health care sector, which accounts for only a small fraction of the overall value of the index, was the hardest hit in February, dropping 16.7%. The Canadian small-cap index did not fare any better than Canada's broad index, with a drop of 10.0%.

The U.S. dollar moved 1.2% higher versus the loonie in February, but despite the currency pickup for Canadian investors, the S&P 500 Index was still off 7.0% in Canadian dollar terms during the period (all returns in this paragraph expressed in CAD). The energy sector witnessed the sharpest decline, falling 14.0% during the month. Financials, utilities and industrials all experienced a loss of 8% or more during February. International stocks did not offer any reprieve either. The MSCI EAFE index fell 7.9%, while emerging markets stocks slipped 3.9%. European and Asian stocks dropped 8.0% and 4.7%, respectively.

Investors sought safety and moved aggressively into high quality bonds, pushing sovereign yields lower. 10-year U.S. Treasury yields slid 25 basis points in the last week of February alone and hit an all-time low of 1.12%. 10-year Government of Canada bond yields slipped 15 basis points during the same time period, to trade at 1.13% on February 28th. The Canadian investment grade bond index sported a gain of 0.7% during the month, while the key global investment grade bond benchmark increased by the same amount. Global high-yield issues fell 1.8%, as the coronavirus outbreak sparked a sell-off in junk bonds, with riskier energy companies seeing more severe losses.

Turning to commodities, the price of crude oil continued its freefall over concerns that the impact of the coronavirus could curtail demand. WTI oil fell 13.2% during February to trade near its lowest level in more than a year, ending the month at US\$45/bbl. Natural gas prices retreated 8.5%. The price of gold climbed to its highest level in seven years in February, as the safe haven asset benefited from the sell-off of risk assets worldwide. That was short-lived, however, as the commodity fell with other asset classes in February's final week, ultimately closing the month 1% lower.

The Canadian economy added 34,500 jobs in January, beating economists' expectations. The unemployment rate dropped to 5.5%, while wage gains accelerated 4.4%. Canada's gross domestic in the fourth quarter rose at an

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annualized pace of 0.3%, in line with economist forecasts. Canadian inflation rose to 2.4% in January from a year earlier, with core inflation slipping to 2.03% from 2.07% from the previous month.

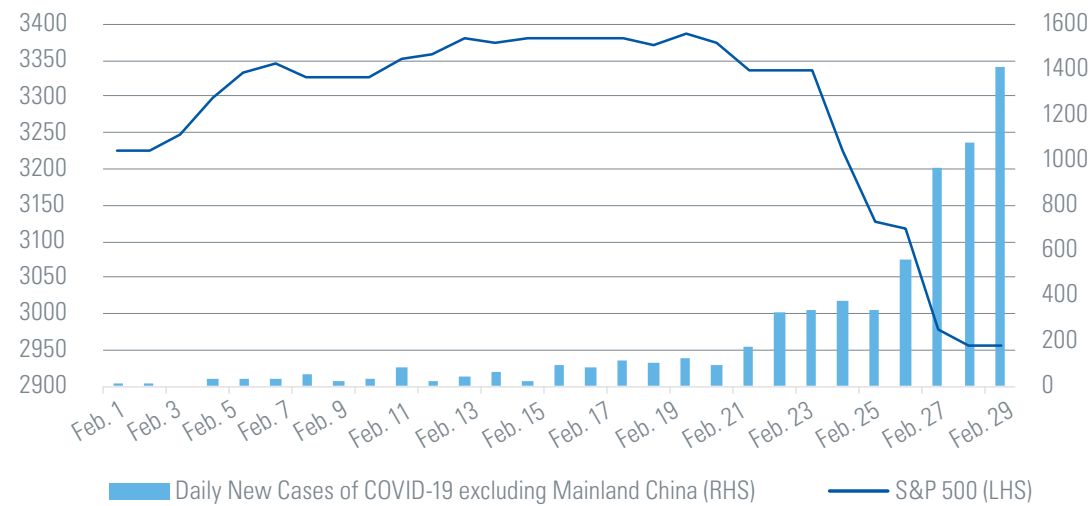
U.S. GDP for the fourth quarter grew at an annualized rate of 2.1%, matching economists' forecasts. The U.S. core consumer price index, which excludes volatile food and energy costs, increased 0.2% month over month, and 2.3% year over year. U.S. consumer spending in January grew 0.2% from the previous month, below economists' projections. In the final days of the month, Federal Reserve Chair Jerome Powell released a statement indicating the Fed was closely monitoring the coronavirus developments and their implications for the economic outlook and would act as appropriate to support the economy.

\*Content sourced from Bloomberg.

## Monthly Market Statistics

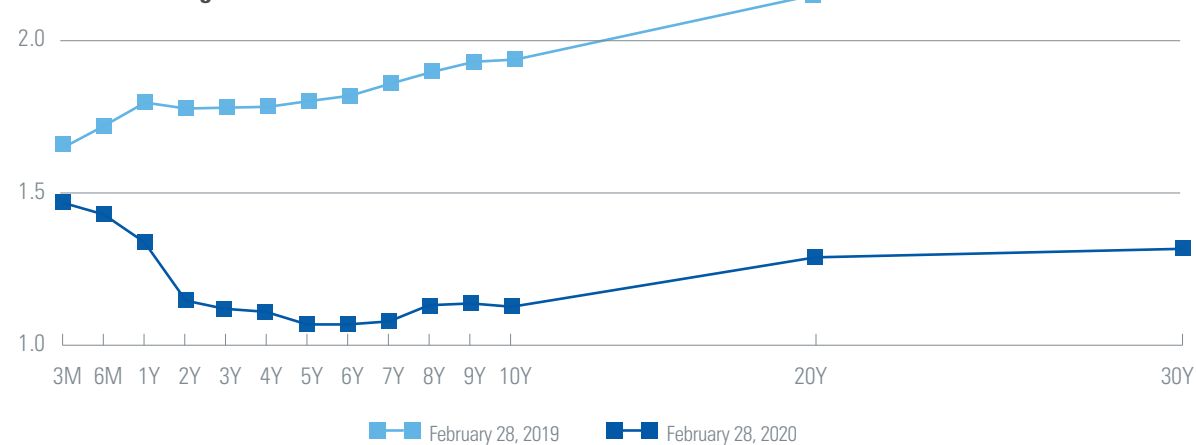
The rapid growth in COVID-19 cases outside mainland China was a driving force behind the stock market freefall in the last week of February. After stock markets dipped in mid-January when the initial coronavirus outbreak spread within Wuhan, China, equities bounced back and rose for much of February. During this time, there was a decline in the level of escalation in new Chinese cases being reported, leading some to believe the outbreak was being contained. Things changed in the final week of February when it became apparent that non-Chinese cases were on the rise, as instances in Iran, Italy, South Korea and Japan began to accelerate. On cue, equity markets reacted very disapprovingly.

Chart of the Month: Renewed COVID-19 Fears



Source: Bloomberg, Worldometer.

Canadian Sovereign Yield Curve



Source: Bloomberg.



## Monthly Market Statistics

Data to February 28, 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	-6.1	-4.6	-1.1	-4.7	1.7	1.8	1.3	9.8
S&P/TSX Small Cap	-10.0	-8.3	-10.7	-12.7	-11.8	-7.7	-2.8	12.4
S&P 500	-7.0	-4.9	1.9	-5.4	8.3	8.1	8.6	13.2
MSCI EAFE	-7.9	-7.3	-0.8	-8.0	-1.4	1.5	0.6	12.4
MSCI World	-7.2	-5.5	1.1	-6.0	4.8	5.6	5.3	12.5
MSCI World Small Cap	-7.9	-7.9	-0.8	-8.8	-2.3	2.8	4.8	14.4
MSCI Europe	-8.0	-7.2	-0.5	-8.6	-1.4	1.8	-0.1	15.6
MSCI EM	-3.9	-2.2	3.2	-6.6	-2.3	2.8	1.7	14.8
MSCI AC Asia	-4.7	-3.9	2.6	-5.6	0.1	2.8	2.7	12.4

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	0.7	2.4	1.9	3.6	9.1	4.5	3.0	3.9
Barclays Global Agg	0.7	2.6	1.4	2.0	7.9	4.4	2.9	3.6
Barclays High Yield Very Liquid Index	-1.8	0.0	0.9	-2.0	5.6	4.5	4.4	4.6

Source: Bloomberg.

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

Commodity	02/28/2020 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	44.76	-13.2	-21.8
Natural Gas/mmBTU	1.68	-8.5	-40.1
Copper/pound	2.55	1.2	-13.7
Silver/oz	16.39	-9.0	5.5
Gold/oz	1566.70	-1.0	19.0

Source: Bloomberg.

**Table 4: Economic Data**

Canada	
Real GDP – Q4 (q/q ann. % change)	0.3
Consumer Prices Jan. (y/y % change)	2.4
Unemployment Rate, Jan. 2020	5.5
United States	
Real GDP – Q4 (q/q ann. % change)	2.1
Consumer Price Jan. (y/y % change)	2.5
Unemployment Rate, Jan. 2020	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	-7.3	-6.3
Consumer Staples	-6.1	-6.8
Energy	-7.5	-14.0
Financials	-5.5	-10.0
Health Care	-16.7	-5.4
Industrials	-6.3	-8.3
Info Tech	-2.7	-6.1
Materials	-7.6	-7.3
Real Estate	-3.8	-5.1
Telecom Services	-6.8	-4.9
Utilities	-3.1	-9.0

Source: Bloomberg.

**Table 6: Exchange Rates**

Cross	02/28/2020	6 Mos Ago	1 Yr Ago
USD/CAD	1.34	1.33	1.32
EUR/CAD	1.48	1.46	1.50
GBP/CAD	1.72	1.62	1.75
CAD/JPY	80.67	79.84	84.58

Source: Bloomberg.

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