



iA Wealth Monthly Market Snapshot

Monthly Overview

April 2020

It was an historic quarter and a wild way to start the decade, as the global economy was brought to an abrupt halt due to the COVID-19 pandemic. The virus has drastically changed our daily routines, with self-isolation and social distancing now the everyday norm. Businesses and schools have closed, with many countries around the world on lockdown. The result for equity markets was a free-fall not seen since the global financial crisis of 2008. The circumstances resulted in governments and policy makers around the globe putting dramatic monetary and fiscal measures in place to support the economy, as the world attempted to “flatten the curve.” At the end of the quarter, total cases of COVID-19 had surpassed 873,000 worldwide, while the death toll had risen above 43,000.

The S&P/TSX Composite finished 21.6% lower during the year’s first quarter. Q1 was marred by red numbers across the board from a sector standpoint, with the all-important energy sector taking the brunt of the punishment, down 38%. It was a perfect storm for oil as the coronavirus pandemic, along with the breakdown between OPEC+ and Russia, caused the price of WTI oil to plunge over 65% for the quarter. The healthcare and consumer discretionary sectors were the other main detractors in Q1, with respective declines of 37% and 33%. Financials, which represents close to 32% of the Canadian benchmark, fell 26% in the first quarter.

The loonie sank 7.7% versus the greenback during the first three months of the year, as the drawdown in energy prices and a general flight to the perceived safety of the U.S. dollar exerted pressure. The Canadian dollar weakness did buffer some of the weakness in foreign equity markets from a Canadian investor’s standpoint. Note that all returns in this paragraph are in Canadian dollar terms. U.S.-based stocks, as measured by the S&P 500 Index fell 12.6% in Q1, driven by challenges out of the energy, financials and industrials sectors, with respective declines of 46.5%, 26.0%, and 20.7%. International stocks, as measured by the MSCI EAFE index, shed 16.3% in Q1, while emerging markets faced losses of 16.8%.

Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond index, managed a return of 1.6% during the first quarter, while the key global investment grade bond benchmark slipped 0.3%. Global high-yield issues fell 12.4%, as the coronavirus pandemic sparked a sell-off in junk bonds, with riskier energy companies seeing more severe losses.

Most commodities fell sharply over the quarter with the exception of gold, which produced a 4% gain, as the safe haven asset benefitted from the global sell-off of risk assets.

In an effort to support the economy, the Bank of Canada slashed its key interest rate by 150 basis points in March, with the overnight rate sitting at 0.25% by month’s end. The BoC also announced various programs to support key financial markets, including: the Commercial Paper Purchase program, the Provincial Money Market Purchase program, the Bankers’ Acceptance Purchase Facility and the buying of Canadian government securities in the secondary market. Canada’s unemployment rate reached 5.6% in February, as the economy added 30,300 jobs in the month. Inflation in Canada fell to 2.2% in February from 2.4% a month prior.

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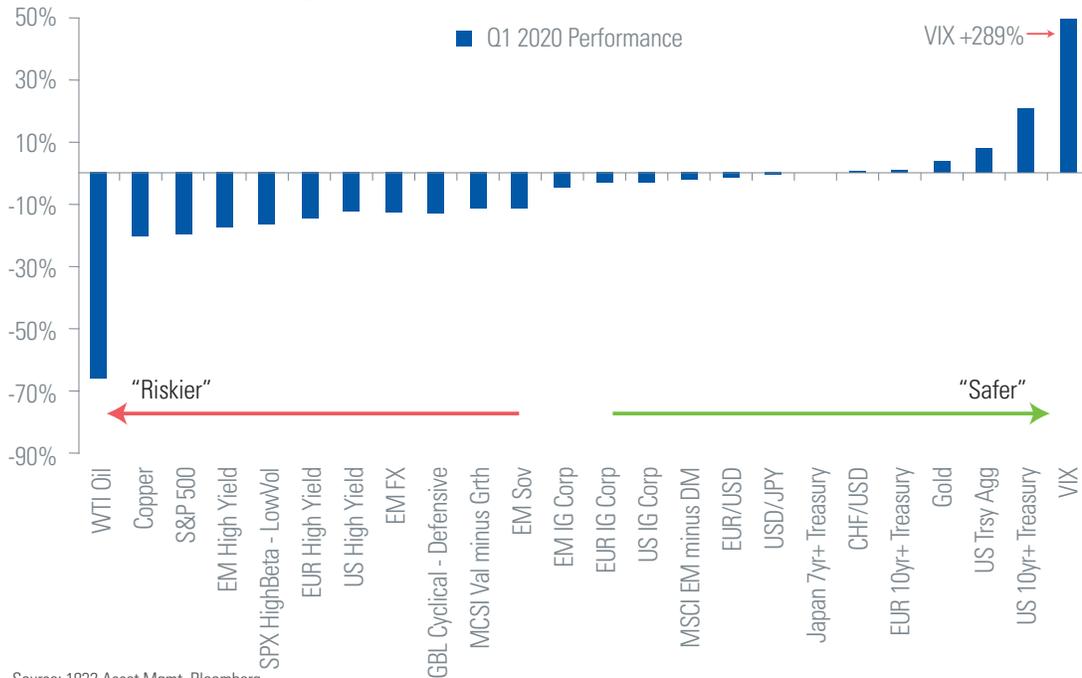
The Federal Reserve also cut its policy rate by 150 basis points in March, with rates virtually at zero by the end of March, in addition to launching various liquidity measures to inject cash into the banking system and money markets. President Donald Trump approved a historic US\$2 trillion stimulus package in the final days of March, which stands as the largest emergency aid package in U.S. history. Key elements of the package includes an expansion of unemployment benefits, financial assistance for small businesses and US\$500 billion in loans for distressed companies.

*Content sourced from Bloomberg.

Monthly Market Statistics

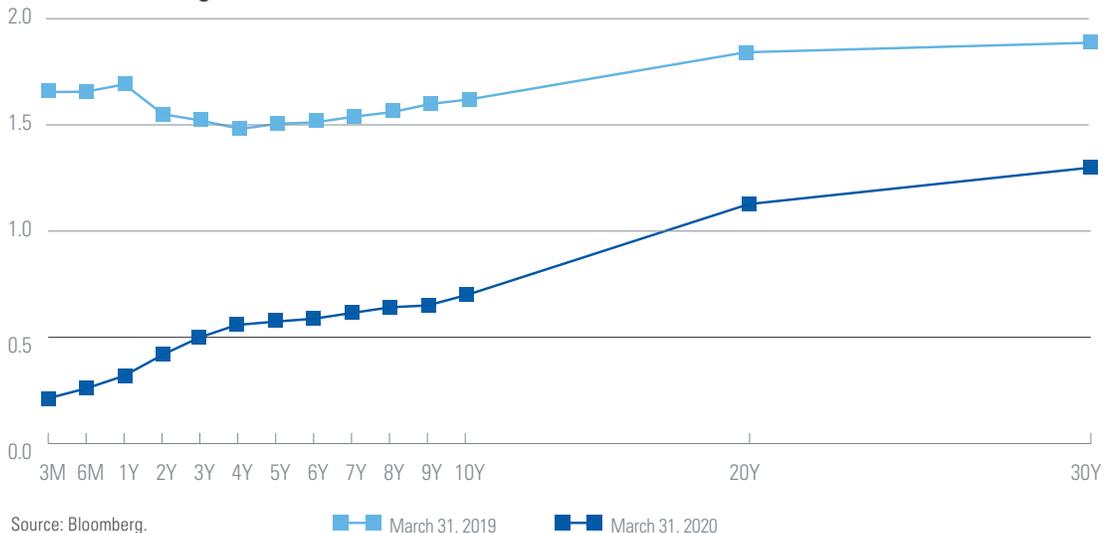
There were few places for investors to hide, as the coronavirus pandemic struck fear into financial markets during the first three months of the year. Treasuries, bonds, gold, and the U.S. dollar represented the list of asset classes that delivered positive returns in the first quarter. Most other asset classes experienced drawdowns and volatility not seen since the global financial crisis. The largest decline, by a wide margin, was oil, which suffered a 67% loss during Q1, as the price war between Russia and Saudi Arabia couldn't have come at a worst time.

Chart of the Month: Few Bright Spots



Source: 1832 Asset Mgmt, Bloomberg

Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to March 31, 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	-17.7	-21.6	-19.7	-21.6	-16.9	-4.9	-2.1	14.3
S&P/TSX Small Cap	-29.7	-38.6	-35.2	-38.6	-37.1	-18.1	-8.6	20.8
S&P 500	-7.6	-12.6	-7.0	-12.6	-3.2	5.3	6.9	15.2
MSCI EAFE	-9.0	-16.3	-11.6	-16.3	-11.7	-2.5	-1.2	14.7
MSCI World	-8.6	-14.1	-8.9	-14.1	-6.7	2.1	3.6	14.9
MSCI World Small Cap	-16.6	-23.9	-18.4	-23.9	-19.0	-3.4	0.8	18.9
MSCI Europe	-10.1	-17.9	-12.6	-17.9	-12.9	-3.1	-1.9	17.8
MSCI EM	-10.9	-16.8	-9.2	-16.8	-14.9	-1.9	-0.5	17.3
MSCI AC Asia	-7.1	-12.4	-6.3	-12.4	-9.1	-0.2	0.9	14.2

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	-2.0	1.6	0.7	1.6	4.5	3.7	2.7	4.1
Barclays Global Agg	-2.2	-0.3	0.2	-0.3	4.2	3.6	2.6	3.9
Barclays High Yield Very Liquid Index	-10.6	-12.4	-10.0	-12.4	-6.5	0.8	2.3	7.8

Source: Bloomberg.

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

Commodity	03/31/2020 Price (\$)	MoM Change (%)	YoY Change (%)
WTI Crude Oil/BBL	20.48	-54.2	-65.9
Natural Gas/mmBTU	1.64	-2.6	-38.4
Copper/pound	2.23	-12.5	-24.1
Silver/oz	14.16	-13.6	-6.3
Gold/oz	1583.40	1.1	22.5

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP – Q4 (q/q ann. % change)	0.3
Consumer Prices Feb. (y/y % change)	2.2
Unemployment Rate, Feb. 2020	5.6
United States	
Real GDP – Q4 (q/q ann. % change)	2.1
Consumer Price Feb. (y/y % change)	2.3
Unemployment Rate, Feb. 2020	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	-26.1	-8.5
Consumer Staples	-7.9	-0.6
Energy	-31.5	-31.3
Financials	-18.6	-17.1
Health Care	-22.7	1.4
Industrials	-13.6	-14.8
Info Tech	-9.7	-3.6
Materials	-10.3	-9.5
Real Estate	-29.6	-10.6
Telecom Services	-5.3	-7.3
Utilities	-10.0	-5.2

Source: Bloomberg.

Table 6: Exchange Rates

Cross	03/31/2020	6 Mos Ago	1 Yr Ago
USD/CAD	1.41	1.32	1.33
EUR/CAD	1.55	1.44	1.50
GBP/CAD	1.75	1.63	1.74
CAD/JPY	76.48	81.63	83.04

Source: Bloomberg.

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