



iA Wealth Monthly Market Snapshot

Monthly Overview

February 2021

Equity market volatility ramped up towards the end of January, overshadowing investor enthusiasm earlier in the month. Stocks rode the momentum from the last quarter of 2020 into the new year, buoyed by the global rollout of COVID-19 vaccines and the anticipation of additional stimulus in the U.S. arising from the Democratic party's sweep of both congressional houses.

Global stocks slumped, however, during the second half of the month, as speculative trading by a group of retail investors rattled equity markets. Surging equity prices of a small group of heavily shorted stocks, most notably GameStop Corp., caused some hedge funds to close out their short positions. By the end of the month, most major equity benchmarks had given up their earlier gains and ended up in the red.

Canada's benchmark S&P/TSX Composite Index ended January down 0.6%. Consumer staples stocks witnessed the sharpest decline, falling 5.3% during the month, while stocks in the materials sector dropped 3.5%. The health care sector, which accounts for only a small fraction of the overall value of the index, jumped 35.3%, as cannabis stocks rallied in January. Energy stocks were up 2.7% for the month, while the financials sector slipped 0.8%. Small cap-stocks, as measured by the S&P/TSX Small Cap Index, were up 0.4% for the month.

The U.S. dollar moved 0.4% higher versus the loonie in January, providing a minor boost to returns of foreign markets in Canadian dollar terms. Note that all returns in this and the following paragraph are in CAD terms. U.S.-based stocks, as measured by the S&P 500 Index, were 0.8% lower in January. The consumer staples and industrials sectors had the steepest declines, falling 5.1% and 4.1%, respectively. International stocks, as measured by the MSCI EAFE Index, were also down 0.8% for the month, while emerging market equities improved by 3.2%.

The investment grade fixed income indices we follow were lower in January. Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, finished with a 1.1% loss for the month, while the key global investment grade bond benchmark was 0.9% lower. Global high-yield issues experienced a marginal gain of 0.1% during the period.

Turning to commodities, the price of crude oil climbed 7.6% during the month, surpassing US\$50/barrel for the first time since last February. Natural gas gained 14.1% during the month. The price of gold slid 2.5% while silver increased 1.9% in January.

U.S. gross domestic product expanded at an annualized rate of 4% in the fourth quarter. Personal consumption increased by 2.5% in Q4. Nonfarm payrolls fell by 140,000 in December, as the unemployment rate remained unchanged at 6.7%. U.S. consumer prices and core CPI rose 0.4% and 0.1%, respectively, in December. The U.S. Federal Reserve held short-term borrowing rates near zero, as Federal Reserve Chair Jerome Powell reiterated the central bank would maintain its bond-buying program until further substantial progress toward its employment and inflation goals has been made.

Canadian gross domestic product rose 0.7% month-over-month in November. Canada employment fell by 62,600 in December, as the nation's unemployment rate increased to 8.6%. Canadian consumer prices rose 0.7% year-over-year in December. The Bank of Canada kept its benchmark rate steady at 0.25%.

Content sourced from Bloomberg; data to January 29, 2021.

Product Research & Oversight Team

JAMES GAUTHIER, CFA
(416) 601-2422
james.gauthier@iawealth.com

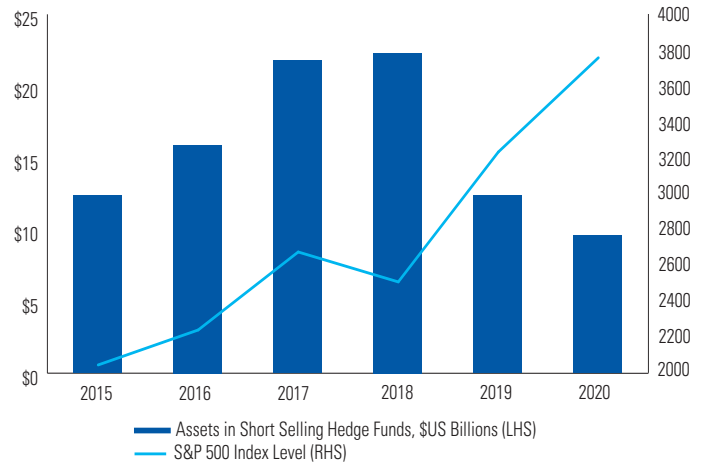
EDMUND FERNANDEZ,
CFA, CIM, CAIA
(416) 640-8270
edmund.fernandez@iawealth.com



Monthly Market Statistics

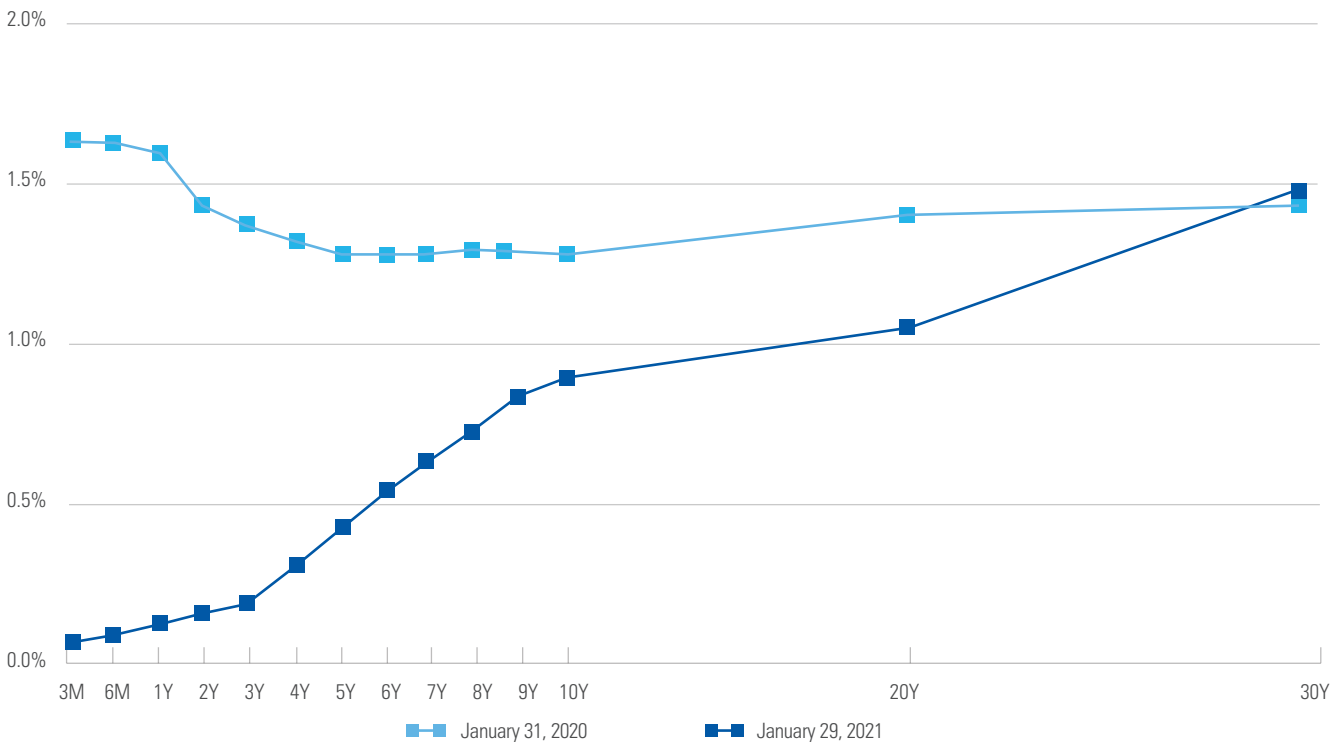
The group of retail investors that contributed to the rise of some heavily shorted stocks, most notably GameStop, cost hedge funds billions of dollars in January. Even before these recent events, hedge funds specializing in short selling had been under pressure for some time, as the broader stock market has drifted higher. Data from EurekaHedge indicate that assets in hedge funds specializing in betting against stocks have plummeted from US\$22 billion to US\$9.6 billion in the last two years. S&P 500 Index, in comparison, has surged by 50% over the same time frame.

Chart of the Month: Short Selling Hedge Funds Under Pressure



Source: Bloomberg, EurekaHedge

Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to January 31, 2021, 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	-0.6	11.3	7.2	-0.6	0.1	2.8	6.2	17.0
S&P/TSX Small Cap	0.4	24.3	21.9	0.4	13.8	0.6	7.1	28.6
S&P 500	-0.8	9.0	8.4	-0.8	11.4	11.0	11.8	18.6
MSCI EAFE	-0.8	14.5	11.4	-0.8	3.1	0.8	4.0	18.1
MSCI World	-0.8	11.4	10.2	-0.8	9.9	7.7	9.2	18.4
MSCI World Small Cap	2.3	21.1	24.1	2.3	16.2	7.3	10.3	23.1
MSCI Europe	-1.3	15.5	9.0	-1.3	0.7	-0.1	3.0	21.2
MSCI EM	3.2	15.6	17.6	3.2	21.1	3.3	10.3	19.3
MSCI AC Asia	2.2	13.9	18.2	2.2	18.9	4.8	8.9	16.4

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	-1.1	0.3	-1.3	-1.1	4.4	5.5	3.9	4.3
Barclays Global Agg	-0.9	2.3	1.9	-0.9	6.9	4.1	4.4	4.3
Barclays High Yield Very Liquid Index	0.1	5.7	5.7	0.1	6.1	5.8	8.3	9.2

Source: Bloomberg.

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

Commodity	01/29/2021 Price (\$)	MoM Change (%)	YoY Change (%)	3 Mo (%)
WTI Crude Oil/BBL	52.20	7.6	1.2	45.9
Natural Gas/mmBTU	2.56	1.0	39.3	-23.6
Copper/pound	3.56	1.1	41.3	16.7
Silver/oz	26.91	1.9	49.4	13.8
Gold/oz	1847.30	-2.5	16.7	-1.7

Source: Bloomberg.

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

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	-2.6	0.7
Consumer Staples	-5.3	-5.1
Energy	2.7	3.9
Financials	-0.8	-1.7
Health Care	35.3	1.6
Industrials	-2.9	-4.1
Info Tech	-0.7	-0.7
Materials	-3.5	-2.1
Real Estate	1.3	0.7
Telecom Services	0.5	-1.2
Utilites	2.6	-0.7

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP – Q3 (q/q ann. % change)	40.5
Consumer Prices, December (y/y % change)	0.7
Unemployment Rate, December 2020	8.8
United States	
Real GDP – Q4 (q/q ann. % change)	4.0
Consumer Price, December (y/y % change)	1.4
Unemployment Rate, December 2020	6.7

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	01/29/2021	6 Mos Ago	1 Yr Ago
USD/CAD	1.28	1.34	1.32
EUR/CAD	1.55	1.58	1.47
GBP/CAD	1.75	1.76	1.75
CAD/JPY	81.92	78.94	81.86

Source: Bloomberg.

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Recommended List: The list presents a selection of funds that we believe are among the best of their peers and offer unique characteristics that can add value when used in a well-diversified investment portfolio tailored to a client's investment objectives.

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