

Financial and Economic Notes

July 2019 vol. 168

Equity Markets

Canadian equities performed well with the S&P/TSX Composite delivering a quarterly return of 2.6%. Breadth was fairly strong with seven of eleven sectors posting gains during the period. Technology (+14%) was by far the best performing sector on the back of index heavy weight Shopify. A diversified collection of sectors (Utilities, Materials, Industrials and Consumer Discretionary) also contributed admirably, each returning approximately 5%.

We experienced another increase in volatility after trade tensions between the US and China ratcheted higher in May. Despite this, US Equities found themselves stronger on the back of potential monetary stimulus. The S&P 500 posted a 4.3% return in USD, but the strength of the loonie resulted in a 2.0% return for Canadian investors. Strength was led by cyclicals with Financials (+8%) catching a bid after a soft Q1 performance. This was followed by Materials (+6%), Technology (+6%) and Consumer Discretionary (+5%) which all outpaced the index.

The MSCI EAFE Index ended the quarter up 1.8% in Canadian dollars adding to the strong gain in Q1. Strength generally came from the cyclical sectors like Consumer Discretionary (+4%), Industrials (+4%), Information Technology (+4%) as investors welcomed the idea that accommodating monetary policy will stimulate spending and investments. This was further supported by the confirmation that the US and Chinese governments would meet at the G20 summit at the end of June. The market assumed that any progress made between the two would delay the next round of tariffs, a clear positive for global investment.

Highlights

After experiencing a dramatic recovery in the first quarter, equities maintained a positive, yet less explosive trajectory during the second quarter.

Fixed Income Markets

On the surface, the second quarter of 2019 appeared to be dominated by turmoil as trade tensions intensified against a backdrop of weakening global growth, rising uncertainty and event risks. Underlying this, however, were positive signs that economic fundamentals have now stabilized and the recession risks that pervaded the previous two quarters have been averted, with this period now regarded as an “economic slowdown.” Once again, “green shoots” have emerged within the global economy with early signs of improving economic fundamentals and government stimulus measures in China have taken hold. Market sentiment has also sharply recovered as central bankers have indicated a willingness to support growth and economic stability through policy rate cuts. Most notably has been the sharp turnaround in monetary policy by the US Federal Reserve where it became apparent through the sharp decline in the Q4/18 and Q1/19 data that the rate hiking cycle that began in 2016 went too far and too fast.

In contrast to the US experience, the Canadian economy has already shown signs of stabilizing after two quarters of negligible growth. Canadian GDP growth forecasts were recently revised upward to 1.3 - 1.5% for 2019 and 1.7% for 2020. As a result, the Bank of Canada has not yet indicated a move to a dovish stance and the outlook for similar rate cuts is less probable here than for other markets. It is more than likely that the Bank of Canada may just “hold steady the course” by maintaining their current 1.75% policy rate this year as the need to keep rising housing and inflation pressures (core CPI 2.3%) in check is offset by trade tensions, events risk and the widespread dovish turn by central bankers around the world.

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 2019

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	1.6	9.7	4.2	5.4	6.5	5.3	5.3
Multi-Index	2.0	10.9	6.0	6.5	7.2	6.0	6.3
Canadian Dividend Fund	2.3	14.7	1.4	5.5	7.3	6.4	3.4
S&P / TSX Index	2.5	16.2	3.9	7.1	8.4	6.2	4.7
U.S. Equity Fund (\$CAN)	2.6	16.0	10.5	10.7	11.7	8.4	11.0
S&P 500 Index (\$ CAN)	3.5	13.4	9.7	12.7	14.4	12.8	15.3
Money Market Fund	0.1	0.8	1.6	1.3	1.0	0.9	0.8
SCM 91 Day T-Bills	0.1	0.8	1.6	1.3	1.0	0.9	0.9
Fixed Income Fund	0.8	5.7	6.5	3.8	2.9	3.4	3.8
SCM Universe Bond Index	0.9	6.5	7.4	4.0	2.7	3.3	3.9
Growth Portfolio	2.5	12.6	2.1	6.1	7.6	6.6	6.3
Multi-Index	2.6	13.8	4.2	7.5	9.5	7.1	7.0
Balanced Growth Portfolio	2.0	10.7	2.4	5.4	6.4	5.6	5.5
Multi-Index	2.2	12.1	4.9	6.7	7.9	6.2	6.2
Balanced Portfolio	1.6	8.5	2.6	4.4	5.2	4.7	5.0
Multi-Index	1.8	10.1	5.7	5.8	6.2	5.2	5.4
Conservative Portfolio	1.0	5.5	1.7	2.8	3.5	3.6	3.8
Multi-Index	1.3	8.2	6.4	4.8	4.4	4.2	4.6
Canadian Small Capitalization Equity Fund	2.2	8.9	-13.2	-6.0	-0.9	2.4	-1.4
BMO NB Small Cap Weighted Index	4.3	10.4	-8.1	-1.6	0.2	2.5	-1.6
SmartSeries Income Fund	1.2	6.3	n/a	n/a	n/a	n/a	n/a
Multi-Index	1.4	8.3	n/a	n/a	n/a	n/a	n/a
SmartSeries 2020 Fund	1.6	9.4	n/a	n/a	n/a	n/a	n/a
Multi-Index	1.9	10.2	n/a	n/a	n/a	n/a	n/a
SmartSeries 2025 Fund	1.8	10.0	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.0	10.5	n/a	n/a	n/a	n/a	n/a
SmartSeries 2030 Fund	2.0	10.9	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.2	11.3	n/a	n/a	n/a	n/a	n/a
SmartSeries 2035 Fund	2.2	11.8	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.4	12.0	n/a	n/a	n/a	n/a	n/a
SmartSeries 2040 Fund	2.4	13.2	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.5	12.4	n/a	n/a	n/a	n/a	n/a
SmartSeries 2045 Fund	2.6	13.4	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.6	12.8	n/a	n/a	n/a	n/a	n/a
SmartSeries 2050 Fund	2.5	13.5	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.7	13.1	n/a	n/a	n/a	n/a	n/a
SmartSeries 2055 Fund	2.7	13.8	n/a	n/a	n/a	n/a	n/a
Multi-Index	2.7	13.1	n/a	n/a	n/a	n/a	n/a
Momentum Fund	5.5	14.9	-10.1	6.8	3.0	8.7	5.0
S&P / TSX Index	2.5	16.2	3.9	7.1	8.4	6.2	4.7
Preferred Share Fund	0.5	-4.2	-15.6	-4.3	n/a	n/a	n/a
S&P/TSX Preferred Share (TXPR) Index	0.8	-0.9	-9.4	-2.4	n/a	n/a	n/a

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FIDELITY FUNDS							
Canadian Opportunities Fund	1.1	14.4	12.1	9.4	9.3	8.6	9.2
S&P / TSX Small and Mid Cap Combined Index	3.6	17.2	0.8	4.0	5.1	3.9	1.8
True North Fund	1.1	13.0	5.8	7.6	8.0	6.6	7.1
S&P / TSX Index	2.5	16.2	3.9	7.1	8.4	6.2	4.7
International Growth Fund	3.9	16.5	7.9	9.1	12.0	8.9	11.2
Overseas Blend	2.9	13.3	3.6	7.1	9.9	7.1	8.7
Europe Fund	3.5	12.1	1.0	4.9	10.2	4.8	6.0
MSCI Europe Index	3.2	10.8	1.2	3.9	9.3	4.8	5.5
American Disciplined Equity Fund	3.7	16.1	8.2	11.9	13.5	9.7	13.8
S&P 500 Index (\$CAN)	3.5	13.4	9.7	12.7	14.4	12.8	15.3
NorthStar Fund	0.0	0.6	-3.8	0.5	2.9	3.4	7.0
MSCI AC World	3.0	11.2	5.0	8.5	11.9	8.8	10.6
Monthly Income Fund	1.5	9.4	7.7	5.4	5.4	5.8	6.0
Monthly Income Blend	1.6	11.7	8.2	6.5	6.9	6.3	5.2
Canadian Asset Allocation Fund	1.9	11.5	6.4	7.3	6.8	6.1	5.8
Can Asset Alloc Blend	1.9	12.5	5.0	6.0	6.4	5.1	4.3
Far East Fund	5.2	11.7	1.4	9.5	14.2	9.3	12.9
MSCI AC FE ex Jap (G)	3.9	6.4	-1.7	5.0	12.2	6.6	9.5
Emerging Market Fund	2.9	15.6	5.9	n/a	n/a	n/a	n/a
MSCI Emerging Markets (G)	2.8	6.0	0.9	n/a	n/a	n/a	n/a
NorthStar Balanced Fund	-0.6	2.6	2.4	n/a	n/a	n/a	n/a
Northstar Balanced Blend	0.7	6.7	6.8	n/a	n/a	n/a	n/a
CI FUNDS							
Signature Corporate Bond Fund	1.3	7.7	7.0	n/a	n/a	n/a	n/a
Multi-Index	1.7	8.5	7.4	n/a	n/a	n/a	n/a
Signature Canadian Bond Fund	1.0	6.8	7.9	4.3	2.8	3.5	4.1
SCM Universe Bond Index	0.9	6.5	7.4	4.0	2.7	3.3	3.9
Harbour Growth & Income Fund	2.3	8.0	-3.4	-0.1	0.9	2.3	2.3
Multi-Index	2.0	10.9	6.0	6.5	7.2	6.0	6.3
Signature High Income Fund	1.9	12.8	9.0	5.7	7.0	5.0	5.1
Multi-Index	2.0	10.9	6.0	6.5	7.2	6.0	6.3
American Value Fund	4.2	16.3	9.2	11.1	14.0	10.6	13.7
S&P 500 Index (\$CAN)	3.5	13.4	9.7	12.7	14.4	12.8	15.3
Cambridge Canadian Dividend Fund	2.1	12.4	9.3	n/a	n/a	n/a	n/a
S&P/TSX Composite Total Return Index	2.5	16.2	3.9	n/a	n/a	n/a	n/a
Global Small Companies Fund	1.3	7.9	-11.1	1.0	6.7	4.6	7.3
MSCI World Index	3.0	11.9	5.6	9.0	12.0	9.2	11.1
Cambridge Canadian Asset Allocation Corp Fund	2.0	9.8	6.3	4.8	6.0	5.5	6.3
60% S&P/TSX, 40% Dex Universe Bond Total Return	1.9	12.4	5.5	6.0	6.2	5.1	4.5
Signature Global Resource Corp Class Fund	8.4	7.6	-21.2	n/a	n/a	n/a	n/a
50% S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	5.7	13.8	-5.6	n/a	n/a	n/a	n/a
Signature Global Dividend Fund	2.8	12.9	5.9	n/a	n/a	n/a	n/a
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	3.2	8.8	8.8	n/a	n/a	n/a	n/a