

MONTH IN REVIEW



April, 2019

Major equity markets built on gains in the first quarter in April. Global central banks, led by the U.S. Federal Reserve, adopted an accommodative monetary policy stance in response to some risks stemming from weakening global trade and signs of easing growth in the U.S.

Expectations of a recovery in China's economy and anticipation of a U.S.-China trade deal proved encouraging. Better-than-expected corporate earnings for the fourth quarter also enhanced overall sentiment.

In the U.S., strong first-quarter GDP growth reassured investors and allayed some of the fears related to slowing global growth.

In fixed income, bond yields rose (and prices declined) as prospects of an economic recovery enhanced investor confidence.

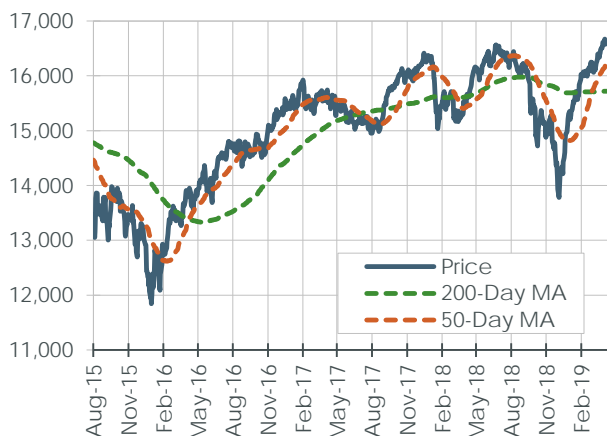
Indexes	Close	Monthly	YTD
S&P/TSX	16,580.73	2.97%	15.76%
S&P500	2,945.83	3.93%	17.51%
NASDAQ	8,095.39	4.74%	22.01%
DJIA	26,592.91	2.56%	14.00%
Russell 2000	1,591.21	3.34%	17.99%
FTSE 100	7,418.22	1.91%	10.26%
Euro Stoxx 50	3,514.62	4.86%	17.10%
Nikkei 225	22,258.73	4.97%	11.21%
Hang Seng	29,699.11	2.23%	14.91%
Shanghai Comp.	3,078.34	-0.40%	23.43%
MSCI ACWI	524.84	3.20%	15.18%
MSCI EM	1,079.24	2.00%	11.75%
Fixed income	Close	Monthly	YTD
FTSE Canada Uni.	1,091.43	-0.10%	3.80%
BBG Global Agg.	488.01	-0.30%	1.90%
TSX Pref	1,505.79	0.21%	1.32%

Bond yields	Close	Monthly	bps chg YTD
10 yr Canada Govt.	1.71%	9.5	-25.5
10 yr U.S. Govt.	2.50%	9.7	-18.2
30 yr Canada Govt.	1.99%	9.8	-19.4
30 yr U.S. Govt.	2.93%	11.5	-8.6

Commodities	Close	Monthly	YTD
Oil	63.91	6.02%	36.18%
Natural gas	2.58	-5.09%	-5.23%
Gold	1,283.53	-0.68%	0.08%
Silver	14.95	-1.10%	-3.50%
Copper	290.40	-1.29%	9.96%

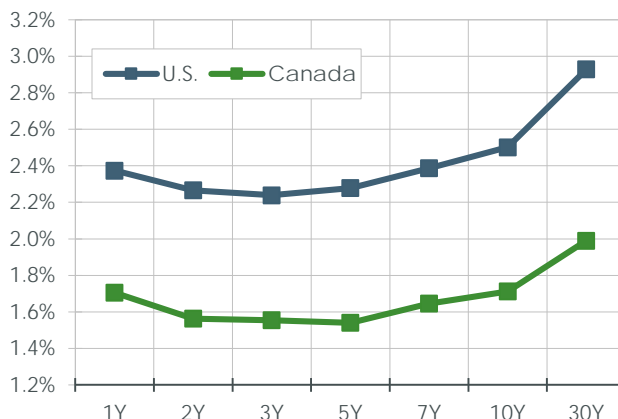
Currencies	Close	Monthly	YTD
CAD/USD	0.7468	-0.31%	1.85%
USD/EUR	0.8917	0.03%	2.24%
CAD EUR	0.6660	-0.27%	4.14%
USD/JPY	111.4200	0.51%	1.58%
USD/CNY	6.7349	0.34%	-2.09%
USD/MXN	18.9460	-2.48%	-3.58%
GBP/CAD	1.7448	0.25%	0.26%
GBP/USD	1.3032	-0.02%	2.18%

S&P/TSX Composite Index



Source: Bloomberg, DataStream.
Index returns are in local currency. All equity indexes are price returns and do not include dividends.

Treasury yield curves



Economic indicators	Period	Survey	Actual	Prior period
Canada unemployment rate	March	5.8%	5.8%	5.8%
Canada housing starts	March	196K	192.5K	173K
Canada CPI inflation (YoY)	March	1.9%	1.9%	1.5%
Canada retail sales (MoM)	February	0.4%	0.8%	-0.3%
Canada GDP (YoY)	February	1.4%	1.1%	1.6%
U.S. ISM manufacturing PMI	March	54.5	55.3	54.2
U.S. unemployment rate	March	3.8%	3.8%	3.8%
U.S. durable goods orders (MoM)	March	0.8%	2.7%	-1.1%
U.S. GDP (annualized QoQ)	Q1'19	2.3%	3.2%	2.2%

Canada

Canadian equities tracked gains in global markets. Prices for crude oil, one of Canada's major exports, continued to rise over the month due to supply constraints and the announcement by the U.S. government that it would end waivers on oil sanctions on Iran.

Among sectors, consumer discretionary and information technology led the gains, while real estate and materials declined.

The Bank of Canada held its key interest rate steady at 1.75%. This was in line with expectations. The Bank of Canada also cut its domestic growth forecast for 2019 to 1.2%, from 1.7% earlier. This reflected headwinds for the domestic economy, along with global trade uncertainty.

Nevertheless, the Canadian economy added 116,000 jobs in the first quarter of the year, the strongest gain since the fourth quarter of 2017. However, Canada's unemployment rate remained steady in March at 5.8%, and average hourly wages rose year-on-year by 2.3%, up from 2.2% in the previous month.

U.S.

The U.S. Federal Reserve's accommodative stance and expectations of an improvement in U.S.-China trade relations enhanced investor sentiment, as did a combination of upbeat corporate earnings and robust economic data.

Reports indicate that the U.S. and China are close to agreement on a trade deal. Intellectual property protections and enforcement mechanisms are reported to be the main issues still to be finalized.

Most sectors gained during the month, with financials and information technology stocks rising the most. Index heavyweights such as Microsoft, Facebook and JPMorgan Chase gained strongly. Health care stocks, however, declined; UnitedHealth Group declined on concerns about U.S. Senator Bernie Sanders' "Medicare for All" plan and a White House proposal to end discounts from drug makers.

On the economic front, the U.S. economy beat market expectations, growing by 3.2% in the first quarter. This was partly due to a smaller trade deficit and larger inventory build-up. The unemployment rate remained unchanged in March, at 3.8%, signalling strength in the labour market.

Rest of the world

European and Asian equities gained in line with global markets.

Chinese equities lost momentum during the month, after a strong first quarter. Worries about a slowdown in Chinese stimulus, in light of improved growth, weighed on investor sentiment.

Looking ahead

Economic indicators	Date	Survey	Prior period
Canada unemployment rate	10-May	5.8%	5.8%
Canada housing starts	8-May	-	192.6K
Canada CPI inflation (YoY)	15-May	-	1.9%
Canada retail sales (MoM)	22-May	-	0.8%
Canada Q1'19 GDP (YoY)	31-May	-	0.4%
U.S. manufacturing PMI	1-May	52.4	52.4
U.S. unemployment rate	3-May	3.8%	3.8%
U.S. GDP (annualized QoQ)	30-May	-	3.2%

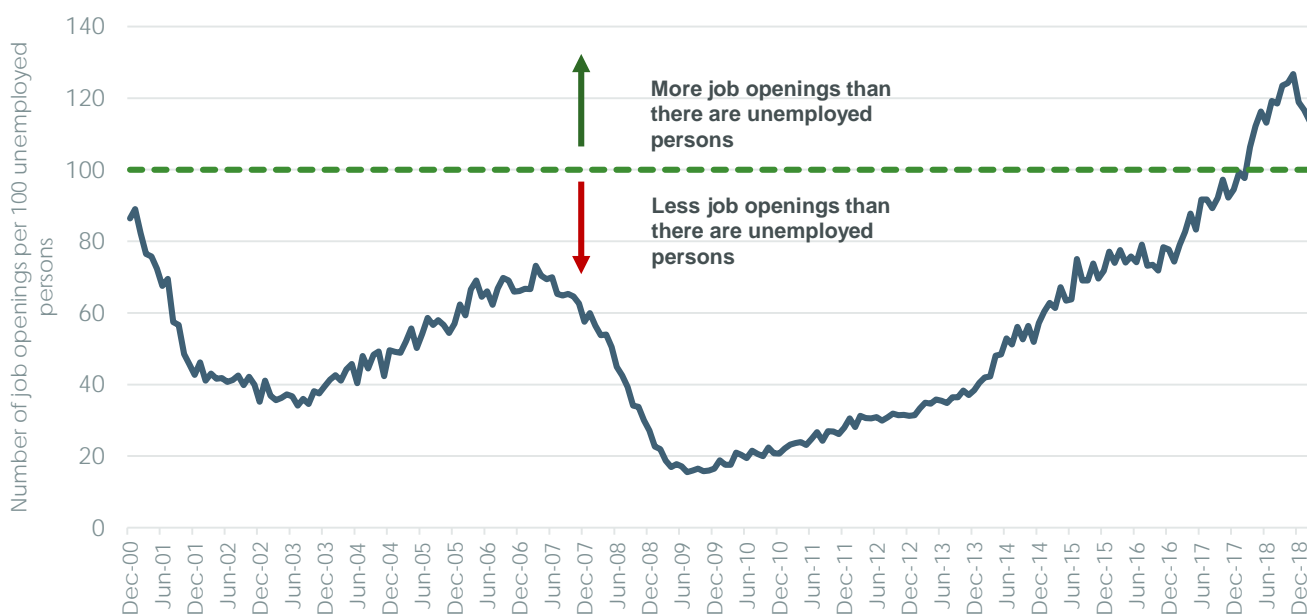
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	1-May-19	-2.6%	2.50%
Bank of England	2-May-19	1.0%	0.75%
Bank of Canada	29-May-19	-1.0%	1.75%
European Central Bank	6-Jun-19	-0.2%	0.00%
Bank of Japan	20-Jun-19	-6.3%	-0.10%

Source: Bloomberg, May 1, 2019. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

Spotlight

Could the bullish sentiment in U.S. last longer?

The chart below shows that there are currently more job openings in the U.S. than there are people actively looking for a job. A strong labour market, coupled with low household debt, continues to support strong consumer confidence in the economy. Given an uncertain outlook for the global economy, the combination of low interest rates, a healthy job market and high consumer confidence in the U.S. could help sustain the bullish sentiment over the medium term.



Source: U.S. Bureau of Labor Statistics

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Monthly	YTD
Oil	85.58	6.35%	33.70%
Natural gas	3.45	-4.79%	-6.95%
Gold	1,718.64	-0.38%	-1.74%
Silver	20.02	-0.85%	-5.15%
Copper	388.86	-0.99%	7.96%
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