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Summer 2018 Market Update

July, 2018

We hope you are well and are enjoying the warmer weather. With the second quarter of 2018 having recently drawn to a close, we wanted to provide a brief update for you on some of the main themes that emerged for investment markets over the period.

Following a particularly volatile start to the year in the first quarter, many global equity markets delivered somewhat steadier returns in the second quarter. The MSCI World Index finished the period with a gain of 1.9% in U.S. dollar terms, while the S&P 500 Index, a broad measure of U.S. stocks, rose about 3.4%. Overseas results varied, with gains for equity indexes in England, France and Japan offset by losses in Germany and several Asian markets. Emerging markets exhibited the largest drawdowns, with the MSCI Emerging Markets Index losing 7.9% for the three months in U.S. dollars.

In Canada, the S&P/TSX Composite Index performed well, registering a broad-based advance of 6.8% for the quarter. Stronger oil prices buoyed energy shares, and the health care, information technology and financial sectors all added to performance. The Canadian benchmark has gained nearly 2% for the year-to-date.

The Canadian dollar, meanwhile, declined in value relative to the U.S. dollar over the quarter, enhancing returns for Canadian investors with assets priced in U.S. currency. The MSCI World Index, for example, returned 4.1% for the quarter when expressed in Canadian dollars, the S&P 500's gain was 5.6% and the loss for the MSCI Emerging Markets Index was reduced to 5.9%.

The U.S. Federal Reserve raised its target interest rate range by a quarter of a percentage point for the second time this year at its June meeting, pointing to the continued strength of the labour market and solid economic activity. Economic data for Canada were also strong, but the Bank of Canada opted to hold rates steady through the second quarter, indicating that further increases would likely come later in the year. Ten-year government bond yields in the U.S. and Canada reached a peak for the second quarter in mid-May before declining and finishing the period slightly up. The FTSE TMX Universe Bond Index, which measures Canadian government and corporate bond returns, gained 0.5% for the quarter.

Equity prices in many industries and regions continue to be supported by healthy corporate earnings, relatively low interest rates and strong economic signals. However, challenges in the form of gradually rising short-term rates and inflation, as well as rising global trade tensions, are causing uncertainty in some areas of the market. In this type of environment, the value of strong active portfolio management becomes especially important, as professional portfolio managers have the knowledge and experience to navigate through challenging market conditions.

Your portfolio has been invested with highly qualified portfolio managers and your assets have been allocated according to a plan that takes your financial goals and risk tolerance into consideration. If you have any concerns about your account or if there have been any changes to your personal circumstances, we would be very happy to discuss them with you – please do not hesitate to contact either one of us.

We wish you and your family a safe and pleasant summer.

Sincerely,

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