First Quarter 2019

April 12, 2019

Global capital markets reversed course after a notably difficult end to 2018, rebounding strongly to post mainly positive results for the first quarter of 2019. Equity markets appeared to be lifted by the prospect of easier monetary policy, while bond markets benefited from economic data showing slowing global growth.

The MSCI World Index, which reflects equity market results for 23 developed market economies, climbed 10.3% in Canadian dollar terms, with broad-based gains across markets in North America, Europe and Asia. In the U.S., the S&P 500 Index finished the quarter with a gain of 11.3% (also in Canadian currency), led by strong results for the information technology, energy and industrials sectors. Emerging markets equities also made gains during the quarter.

The Canadian benchmark S&P/TSX Composite Index posted a robust quarterly gain of 13.3%. Although most sectors added value, Canada's resource-heavy market was particularly buoyed by higher oil prices, while the industrials, information technology and health care sectors also performed well.

The equity rebound came despite economic data indicating growing slack in the global economy, and central banks responded by striking a more dovish tone in the first quarter. After moving to raise interest rates several times in 2018, the U.S. Federal Reserve left rates unchanged and put further increases for 2019 on hold. Yields for 10-year U.S. Treasury Bonds moved lower through the period as bond prices rose. The Bank of Canada also left rates unchanged, and 10-year Canadian government bond yields declined as investors discounted the probability of further rate cuts in the near term. The FTSE Canada Universe Bond Index, a broad measure of Canadian government and corporate bonds, returned 3.9% for the quarter.

Since the bull market in North American equities began more than 10 years ago, investors have drawn confidence from the gradual expansion of the global economy, particularly in the U.S. where corporate earnings have been healthy and employment, housing and consumer spending data have been strong. However, late in the economic cycle, corporate earnings are slowing, along with global economic growth. While interest rates remain low and help to support business investment and equity prices in the near term, the market volatility we have seen over the past few quarters may become a more common occurrence as the cycle matures. The fourth quarter's steep decline and the dramatic reversal in the first quarter of this year is a timely reminder of how quickly markets can turn, and underscores the importance of staying invested for the longer term.

Given this backdrop, I continue to believe investors are best served by a diversified approach to investing – one that provides exposure to a broad range of actively managed investments from equities to bonds, depending on your personal objectives.

In closing, I would like to thank you for your business. If you have any questions or concerns about your account, please do not hesitate to contact my office.

Sincerely,

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