

May in Review

Global equity markets finished May on a higher note, led by the U.S. +6.18%, Canada +1.00% and emerging markets +0.44%. Canadian bonds were also gainers, rising 0.91% while crude oil surged higher +5.16% to close the month at US\$49.10 per barrel.

Canadian economy continues to push ahead... Since oil prices collapsed from their peak in the summer of 2014, the Canadian economy's resiliency was noted by the International Monetary Fund, which forecast Canada to grow by 1.75% this year. The Bank of Canada (BOC) has made similar growth projections, but opted to keep interest rates steady as a precautionary measure. The risks of an economic pullback have heightened due to the forest fires in Alberta and lower business investment, but are still within the BOC's comfort zone. Statistics Canada reported that the Canadian economy grew by 2.4% in the first quarter, due to greater global demand for Canadian exports. Economists are calling for lower growth in the second quarter due to the Fort McMurray wildfires, but rebounding oil production is expected to give the economy a lift in the third quarter.

....while the U.S. economic outlook is mixed. The U.S. dollar continues to come off its 2016 highs, weakening relative to other currencies. The softer dollar has led foreigners to purchase more U.S. goods and services, while the U.S. reduces imports. Exports to Canada, the EU and China all rose significantly. Although there were improvements in the balance of trade, the U.S. economy created fewer jobs than expected, with just 38,000 new jobs added in April (latest available). The unemployment rate remains at 4.7%, below its peak of 10% in 2009. The U.S. Federal Reserve weighed in on the data and suggested that it is less likely to raise interest rates in June.

Europe takes centre stage once again. Following a potential "Grexit" last year, lawmakers will be watching with interest how events unfold in Britain, as Brits are set to vote in a referendum on whether or not to stay in the European Union (EU). Recent polls show that the "Bremain" camp (those who want to remain in the EU) and the "Brexit" camp (those who want to exit) are virtually tied. The Organization for Economic Co-operation and Development (OECD) recently said that a Brexit would be a significant threat to the global economy, and the British Treasury, the Bank of England and other global bodies also fall squarely in the Bremain. The vote will be held on June 23.

Did you know?

Did you know that missing just the **10 best market return days** over a 10 year period can make a **significant difference** on the value of an investment portfolio?

Learn how timing the market can potentially hold you back from your financial goals on page 2.

INDEX (C\$) [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.05	0.21	0.51	158.54
Bonds (FTSE TMX Canada Universe Bond)	0.91	2.24	2.81	1017.08
Canadian Equities (S&P/TSX Composite)	1.00	9.46	-3.32	14,065.78
U.S. Equities (S&P 500)	6.18	-1.90	6.88	2,746.60
Global Equities (MSCI World)	4.99	-3.28	1.56	2,193.40
Emerging Markets (MSCI Emerging Markets)	0.44	-3.06	-13.13	1,057.60

CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-4.11	5.69	-4.89	0.7638
C\$/Euro	-1.38	3.10	-6.10	0.6861
C\$/Pound	-3.25	7.54	0.42	0.5274
C\$/Yen	-0.31	-2.65	-15.18	84.5620

COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-5.81	14.60	1.80	1,217.50
Oil WTI (\$/barrel)	5.16	18.80	-21.67	49.10
Natural Gas (\$/MMBtu)	-1.46	-8.81	-24.49	2.29

[†]As at May 31, 2016. Source: Bloomberg

Timing the market? 'Butter' not.

Theories such as sell in May and go away, swoon in June and the Super Bowl indicator are examples of "market predictors" that supposedly help you accurately time the market. In reality, following such strategies could negatively impact your investment portfolio's performance - and set you back from your long-term goals.

With spring in full bloom, some investors may consider selling their investment holdings to avoid what is perceived to be a regular seasonal decline in equity markets – known as the "sell in May and go away" and the "swoon in June" phenomena. In a nutshell, doing so is an attempt at timing the markets based on supposed patterns found in various sets of market data.

But as many economists and market analysts point out, you can find a pattern in anything if you look long enough. To debunk these kinds of theories, David Leinweber, a veteran Wall Street money manager, attempted to find a pattern so far-fetched that



no reasonable person would believe it could forecast U.S. stock market performance.

In his book, *Nerds on Wall Street*, Mr. Leinweber found that by tracking annual butter production in Bangladesh, coupled with U.S. cheese production and the total population of sheep in both Bangladesh and the U.S., he could "forecast" past U.S. stock market performance with 99% accuracy over a 10-year period.* While the data was back-tested, it makes the point that patterns can be found in anything, even if they don't make much sense.

Despite the hype around such market predictors, using them to time the market could hold you back from achieving your long-term financial goals. Consider this: missing just the 10 best days on a \$10,000 investment in Canadian stocks over a 10-year period resulted in a loss of \$1677. However, if the same \$10,000 remained invested continuously, the portfolio's value would have increased to \$15,280.**

The Value of Staying Invested

The impact of missing the best performance days from April 2006 to April 2016 on a 10,000 investment



Establishing a financial plan with your needs in mind, selecting investment solutions that match your goals and seeking advice when you need it is a time-tested strategy to help you realize your goals over the long term.

*The data covered the 10 year period between 1983 and ending in 1993. Source: Jason Zweig. Data Mining Isn't a Good Bet for Stock-Market Predictions. Wall Street Journal, 2009.

**S&P/TSX Composite Total Return Index, April 2006 to April 2016. It is not possible to invest directly in an index. Assumes reinvestment of all income and no transaction costs or taxes. Value of investment calculated using compounded daily returns. Missing 10, 20 and 30 best days, excludes the top respective return days.

This document has been prepared by 1832 Asset Management L.P and is provided for information purposes only. Views expressed regarding a particular investment, economy, industry or market sector should not be considered an indication of trading intent of any of the mutual funds managed by 1832 Asset Management L.P. These views are not to be relied upon as investment advice nor should they be considered a recommendation to buy or sell. These views are subject to change at any time based upon markets and other conditions, and we disclaim any responsibility to update such views.

Information contained in this document, including information relating to interest rates, market conditions, tax rules, and other investment factors are subject to change without notice and 1832 Asset Management L.P. is not responsible to update this information. To the extent this document contains information or data obtained from third party sources, it is believed to be accurate and reliable as of the date of publication, but 1832 Asset Management L.P. does not guarantee its accuracy or reliability. Nothing in this document is or should be relied upon as a promise or representation as to the future. Investors should consult their own professional advisor for specific investment advice tailored to their needs when planning to implement an investment strategy to ensure that individual circumstances are considered properly and action is taken based on the latest available information.

© Registered trademark of The Bank of Nova Scotia, used under licence.

© Copyright 2016 1832 Asset Management L.P. All rights reserved.

2494-2016-0530 R5