

January in Review

After a disappointing December, 2019 is off to a strong start, with a month of excellent performance in January. U.S. equities were up 8.01%, led higher by the Energy, Materials, and Industrials sectors. Canadian equities were up 8.74%, led by Health Care, Consumer Discretionary, and Energy stocks. Canadian bonds were up 1.34% in the month. Commodities were mixed but mainly positive. Oil rallied hard, up 17.65%, while Copper was up 5.83% and Gold climbed 2.91%. Natural Gas declined 1.30%.

Although there are signs of slowing global growth, particularly in China, The U.S. economy – the largest in the world – continues to display signs of solid performance. The U.S. – China trade dispute and Brexit uncertainty continue to overhang the market, but optimism for reasonable outcomes continues. The biggest driver of strong performance for the month was the growing realization that central banks around the world are backing away from prior hawkish positions, and with evidence of slowing economic growth are now displaying patience with interest rate hikes. Here are some of January's most notable headlines:

China posts slowest growth in nearly three decades. China announced that its GDP came in at 6.6 percent in 2018 – in line with analyst expectations but at its most sluggish rate since 1990. It's the latest sign of weakness in the Chinese economy, and comes at a critical time in Beijing's trade battle with the United States. Over the weekend, President Donald Trump said a trade deal with China could very well happen, but denied what he called "false reports" that the United States was considering lifting duties on Chinese imports. U.S. Commerce Secretary Wilbur Ross said the two countries are "miles and miles" away from a permanent trade agreement.

Central banks reasonably dovish comments reassure investors. A summary released of the U.S. Federal Reserve's (Fed's) December meeting reiterated comments from the central bank's chairman about patience regarding monetary policy. The Fed minutes pointed to a backdrop of low inflation in the United States, meaning the central bank can "afford to be patient about further policy firming." Meanwhile, the Bank of Canada held interest rates steady as expected, although it said more increases would be necessary. However it said rates would need to rise "over time."

May's Brexit deal defeated. U.K. Prime Minister Theresa May suffered a defeat in Parliament on January 15, which saw her Brexit deal voted down. With time running out before the country is set to leave the European Union on March 29, Britain is now ensnared in political chaos which could lead to a range of options, including a disorderly exit from the European Union, or potentially even a reversal of the 2016 decision to leave.

Did you know?

Real gross domestic product decreased by 0.1% in November, partly offsetting an increase of 0.3% in October. There were decreases in wholesale trade, finance and insurance, manufacturing and construction that more than offset gains in 13 of 20 industrial sectors. Goods-producing industries declined by 0.3%, the third decline in four months, although services-producing industries were essentially unchanged. In November wholesale trade declined by 1.1%, manufacturing decreased by 0.5%, and Finance and Insurance contracted by 0.7%.

Source: Statistics Canada

INDEX [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.14	0.14	1.40	162
Bonds (FTSE Canada Universe Bond)	1.34	1.34	3.59	1065
Canadian Equities (S&P/TSX Composite)	8.74	8.74	0.48	15,541
U.S. Equities (S&P 500, US\$)	8.01	8.01	-2.32	2,704
Global Equities (MSCI World, US\$)	7.82	7.82	-6.00	2,028
Emerging Markets (MSCI Emerging Markets, US\$)	8.76	8.76	-14.02	1,050

CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	3.91	3.91	-6.18	0.76
C\$/Euro	4.08	4.08	1.76	0.67
C\$/Pound	1.17	1.17	1.55	0.58
C\$/Yen	3.18	3.18	-6.43	82.97

COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	2.91	2.91	-3.75	1,325.20
Oil WTI (\$/barrel)	17.65	17.65	-9.79	53.79
Natural Gas (\$/MMBtu)	-1.30	-1.30	-6.98	2.81

[†]Total Return, as at January 31, 2019. Indices are quoted in their local currency.
Source: Bloomberg

® Registered trademark of The Bank of Nova Scotia, used under licence. © Copyright 2019 1832 Asset Management L.P. All rights reserved.

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 and/or tax 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.