

July in Review

Equities had mixed performance in July. During the month, Canadian equities gained 0.34%, led higher by the consumer discretionary, information technology, and materials sectors. U.S. equities were up 1.44%, led by the telecom, information technology, and consumer staples sectors. Emerging Markets were down 1.15%, as trade tensions between the U.S. and China continued. Canadian bonds had slightly positive performance, up 0.17% in the month. Commodities performance for the month was mixed, with gold advancing 0.89% and copper declining 1.75%. WTI crude oil gained 0.10% in what has been volatile, but strong, year-to-date performance. Against the backdrop of continued slowing of global economic growth in 2019-to-date, we have seen the world's major central banks enter into a collective easing cycle. Near the end of July, the U.S. Federal Reserve (the Fed) lowered its key policy rate, and bond markets are pricing in the possibility of more rate cuts in the future.

Here are some of July's most notable headlines:

U.S. Federal Reserve cuts interest rates. The dovish shift of central banks around the world continued in July, culminating in the Fed cutting its key policy rate by 25 basis points. The Fed characterized its' actions as insurance against downside risks, and indicated it will make further cuts if needed. This is clearly a trend, as this year we have now seen rate cuts from New Zealand, Australia, Russia, and a handful of other emerging markets countries. The European Central Bank (ECB) has also indicated that further rate cuts and another round of quantitative easing are coming.

Tension continues between the U.S. and Iran. Repercussions from the American withdrawal from the Joint Comprehensive Plan of Action (Iran nuclear deal) continue. Washington imposed a new set of sanctions in addition to the earlier sanctions that have already devastated Iran's economy, this time targeting Iran's top military members and its top diplomat. Iran's foreign minister discussed the possibility of shutting the Strait of Hormuz, a critical choke-point for oil shipments. His claims were part of an on-going effort to loosen the economic sanctions. Tensions remain high in the Persian Gulf, with concerns that the U.S. and Iran could stumble into war.

Evidence builds of slowing global economic growth. Economic reports released in July showed slowing growth in a variety of countries. June economic sentiment in the Eurozone reached the lowest point in almost three years, with the largest declines in confidence in Germany and Italy. The Markit Economics monthly Purchasing Managers' Index survey reported disappointing results in June for the U.K. The services business rose only fractionally, below economist expectations, while manufacturing and construction contracted. The International Monetary Fund (IMF) cut its global growth outlook, and now expects the global economy to expand 3.2% this year and 3.5% in 2020, down slightly from previous expectations. Economists blamed uncertainty from Brexit and ongoing trade conflicts.

Did you know?

Almost half of Canadians with children under 18 say they intend to assist their children with the purchase of their first home, with 39% saying they expect to postpone their retirement as a result. The findings come as Canadians navigate tighter lending requirements and higher home prices, with data from the Canadian Real Estate Association showing that home prices in Canada have increased by 43% over the last five years. It's no surprise that Canadians continue to juggle a number of financial priorities. A Scotiabank advisor can build a plan to help you meet your goals, whether you're saving for a major purchase, or a parent balancing the financial needs of your children with staying on track with retirement. Talk to a Scotiabank advisor today.

Sources: FP Canada Housing Affordability Survey (2019). Statistics Canada, "Spotlight on Canadians and Debt: Who's Vulnerable?" (2019)

INDEX [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.15	0.97	1.64	164
Bonds (FTSE Canada Universe Bond)	0.17	6.70	8.34	1122
Canadian Equities (S&P/TSX Composite)	0.34	16.59	3.02	16,407
U.S. Equities (S&P 500, US\$)	1.44	20.24	7.98	2,980
Global Equities (MSCI World, US\$)	0.53	18.01	4.25	2,188
Emerging Markets (MSCI Emerging Markets, US\$)	-1.15	9.46	-1.83	1,037

CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-0.75	3.38	-1.40	0.76
C\$/Euro	1.91	7.02	4.06	0.68
C\$/Pound	3.64	8.51	6.44	0.62
C\$/Yen	0.19	2.57	-4.10	82.48

COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	0.89	9.55	13.20	1,437.80
Oil WTI (\$/barrel)	0.10	22.45	-8.68	58.58
Natural Gas (\$/MMBtu)	-2.15	-18.06	-15.42	2.23

[†]Total Return, as at July 30, 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.