

January in Review

In January investors became increasingly nervous about world events, first as tensions ramped up between the U.S. and Iran, and subsequently due to a coronavirus outbreak in China. Middle East tensions have calmed for now, but coronavirus issues linger. Equities had weak performance in January, with the exception of the S&P/TSX Composite index, which climbed 1.74%. Canadian stocks were led higher by Information Technology, Utilities, and Real Estate, which were up 9.43%, 7.73%, and 4.71%, respectively. Global stocks gave back some of their recent gains. Emerging markets declined more significantly (MSCI EM - 4.66%) as Chinese and other Asian markets felt the impact of the coronavirus outbreak. Developed markets fared better: the MSCI Europe posted a small loss (-1.23%) while the broad S&P 500 Index was flat. Canadian bonds had excellent performance in January, up 2.91%, as provincial bonds showed the strongest performance. Commodities pulled back considerably, except for gold, which acted as a safe haven. WTI crude oil declined by 15.16%, natural gas dropped by 14.69%, and copper declined by 10.01%. Gold increased by 3.83%.

Here are some of January's most notable headlines:

Qassem Soleimani, commander of Iran's elite Quds Force, considered Iran's second most powerful figure, was killed in an apparent drone attack. U.S. officials stated that President Trump ordered the strike to disrupt future Iranian attack plans. Iran retaliated by firing missiles at U.S. forces in Iraq. However, there was little damage and no casualties, and the event seems designed to show Iran's displeasure without escalating the conflict. President Trump gave a speech in which he also expressed a desire to de-escalate the conflict. While the countries initially escalated tensions significantly, both parties backed away from crossing over into a major military conflict, which seemed to be a possibility.

The U.S. and China signed the long-anticipated Phase One trade agreement. As part of this agreement some tariffs will be rolled back, and China pledged to purchase at least an additional \$200 billion worth of U.S. farm products and other goods and services over two years. The deal also provides better protection to American companies in the areas of intellectual property and trade secrets. Negotiations on a Phase Two agreement are expected to begin soon. Investors were encouraged by the deal, and by comments from U.S. Treasury Secretary Steve Mnuchin that further tariff reductions could come in stages.

Coronavirus in China causes concern. While the health risk to Canadians remains low, the outbreak is expected to cause an economic impact both inside and outside of China. In China, the manufacturing sector has been hit by plant closings, oil refineries have curtailed production to reflect lower demand, and the tourism industry is coping with travel advisories and flight cancellations. The Canadian economy will feel the impact as commodity prices have pulled back, supply chains have been disrupted, and airlines have cancelled direct flights to China, an important growth market.

Did you know?

With the upcoming March 2 deadline for Registered Retirement Savings Plan (RRSP) contributions for the 2019 tax year, it's a good time to reflect on some RRSP facts. Deductible contributions to an RRSP can help reduce your taxes, and any income earned on the investment while in the plan grows tax-deferred. In 2017, only 22% of tax filers made a contribution to an RRSP, a percentage that is very consistent over the past several years. This suggests that many people are not taking advantage of the opportunity provided by an RRSP. Scotiabank Advisors can explain the benefits of RRSP investing, and help you establish a sound financial plan.

Source: Statistics Canada

| INDEX† | 1Mth | Change (%) YTD | 1Yr | Index Level |
|--|-------|-------------------|-------|----------------|
| Treasury Bill (FTSE Canada 60 Day T-Bill) | 0.14 | 0.14 | 1.67 | 165 |
| Bonds (FTSE Canada Universe Bond) | 2.91 | 2.91 | 8.53 | 1156 |
| Canadian Equities (S&P/TSX Composite) | 1.74 | 1.74 | 14.94 | 17,318 |
| U.S. Equities (S&P 500, US\$) | -0.04 | -0.04 | 21.67 | 3,226 |
| Global Equities (MSCI World, US\$) | -0.58 | -0.58 | 18.44 | 2,342 |
| Emerging Markets (MSCI Emerging Markets, US\$) | -4.66 | -4.66 | 4.08 | 1062 |

| CURRENCIES† | 1Mth | Change (%) YTD | 1Yr | Exchange Rate |
|-------------|-------|-------------------|-------|------------------|
| C\$/US\$ | -1.87 | -1.87 | -0.85 | 0.76 |
| C\$/Euro | -0.80 | -0.80 | 2.33 | 0.68 |
| C\$/Pound | -1.48 | -1.48 | -1.58 | 0.57 |
| C\$/Yen | -2.11 | -2.11 | -1.34 | 81.86 |

| COMMODITIES (US\$)† | 1Mth | Change (%) YTD | 1Yr | Price |
|------------------------|--------|-------------------|--------|----------|
| Gold Spot (\$/oz) | 3.83 | 3.83 | 16.55 | 1,587.90 |
| Oil WTI (\$/barrel) | -15.16 | -15.16 | -5.55 | 51.56 |
| Natural Gas (\$/MMBtu) | -14.69 | -14.69 | -37.10 | 1.84 |

†Total Return, as at January 31, 2020. Indices are quoted in their local currency. Source: Bloomberg

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