

## October in Review

Volatility returned to the markets with a vengeance in October, with broad market declines for the month. In spite of the release of a variety of strong underlying economic data and earnings reports, ongoing concern about central bank tightening, the trade dispute between the United States and China, and a slowdown in China weighed on markets. While declines were broad, losses were particularly pronounced in the technology sector, which has led the market higher for much of this bull market. Shares of several technology bellwether companies saw sharp declines in October.

Some positive events for the month included Canada and the United States reaching a deal on the new United States-Mexico-Canada Agreement (USMCA), which was critical for the success of the Canadian economy. While markets were down for the month, increased volatility brought swings in both directions, and a rebound at the end of the month erased some of the losses. Here are some of October's most notable headlines:

**Canada, U.S. reach trade deal.** Canada and the United States reached a last-minute trade deal at the end of last month. The deal, named the United States-Mexico-Canada Agreement (USMCA), gives American farmers major new access to Canada's dairy market, but preserves a dispute-resolution system the United States wanted removed. The Canadian dollar and the S&P/TSX Composite Index rose on the news, as declining trade uncertainty lifted the Canadian dollar and Canadian companies came under less direct threat from the potential for higher import costs.

**Central Banks are tightening.** The Bank of Canada raised interest rates as expected and said it might speed up the pace of future hikes given the economy was running at almost full capacity and did not need any stimulus. The U.S. Fed Open Market Committee released minutes of its September session, showing its vote to approve a quarter-point hike to its benchmark was unanimous, with members indicating that more rate increases are on the way. The European Central Bank reaffirmed that its 2.6 trillion euro asset purchase scheme will end this year and interest rates could rise after next summer, sticking to guidance first unveiled in June and repeated at every meeting since.

**Economic slowdown in China.** China released its GDP figures for the third quarter of 2018, which showed economic growth slowing to 6.5 percent year-over-year, missing analysts' 6.6 percent forecast. The Chinese government has indicated it is considering a variety of measures to stimulate the economy, including infrastructure spending, tax cuts, buying shares of public companies, and laxer rules on buybacks and M&A.

### Did you know?

Canadian stocks had their worst monthly finish in seven years in October, as market volatility returned following a long stretch of relatively uninterrupted growth in equity markets. Short-term ups and downs can cause investors to lose sight of the big picture, which is why it is so important to seek advice and have a financial plan. Research has shown that investors who work with a financial advisor have a greater feeling of confidence about their financial future than those who don't. To help put recent market volatility into context and to develop a plan that makes sense for you, contact your Scotiabank advisor today.

Source: The Value of Advice Report 2012 (IFIC).

INDEX <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.14	1.06	1.18	162
Bonds (FTSE Canada Universe Bond)	-0.61	-0.96	-0.59	1027
Canadian Equities (S&P/TSX Composite)	-6.27	-4.99	-3.41	15,027
U.S. Equities (S&P 500, US\$)	-6.84	3.00	7.34	2,712
Global Equities (MSCI World, US\$)	-7.32	-1.86	1.72	2,022
Emerging Markets (MSCI Emerging Markets, US\$)	-8.70	-15.51	-12.21	956

  

CURRENCIES <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-1.88	-4.46	-2.04	0.76
C\$/Euro	0.64	1.39	0.86	0.67
C\$/Pound	0.17	1.14	1.93	0.60
C\$/Yen	-2.55	-4.26	-2.64	85.84

  

COMMODITIES (US\$) <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	1.57	-8.85	-6.16	1,215.00
Oil WTI (\$/barrel)	-10.61	12.47	23.23	65.31
Natural Gas (\$/MMBtu)	5.50	8.81	4.29	3.26

<sup>†</sup>Total Return, as at October 31, 2018. Indices are quoted in their local currency. Source: Bloomberg

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