

February in Review

The terrific market rally we saw in January continued into February, with a month of very good performance. U.S. equities were up 3.21%, led higher by the Information Technology, Industrials, and Utilities sectors. Canadian equities were up 3.15%, led by Infor Tech, Real Estate, and Energy stocks. Canadian bonds were up 0.18% in the month. Commodities were mixed but mainly positive. Oil continued its recent strong performance, up 5.88%, while Copper was up 5.53% and Natural Gas climbed 1.70%. Gold declined 0.69%.

Signs of slowing global growth continued in February, but central banks have responded accordingly, giving indications of the delay of interest rate increases. The U.S. – China trade dispute and Brexit uncertainty continue to overhang the market, but optimism for reasonable outcomes continues. U.S. and Chinese officials have given indications of progress on trade talks, and the U.S. has delayed large tariff increases that had been planned for early March. In the U.K. Prime Minister Theresa May has said she's open to the possibility of delaying Britain's exit from the European Union. Here are some of February's most notable headlines:

Oil continues rally after supply cuts announcements. WTI Crude rallied 5.88% in February, bringing the gain to 24.18% year-to-date, bolstered by efforts to tighten the market from the Organization of the Petroleum Exporting Countries (OPEC). Some non-OPEC producers, including Russia, have also announced supply cuts, and Saudi Arabia has pledged further output cuts in March. As part of an effort to realize higher sales prices for Canadian oil producers, the Alberta government announced a plan to lease 4,400 rail cars. The rail cars, which are expected to come into service in July, are part of a multibillion-dollar move to clear a glut of crude that depressed prices in the region. This plan is an effort to work around the capacity constraints of current pipelines, and the delays in building increased capacity.

Economic data show slowing global economy. Throughout the month we saw the release of a variety of economic data reports that showed evidence of a slowing global economy. This includes slowing U.S. retail sales and capital goods orders, slowing Canadian GDP, and slowing Canadian inflation. Related to this, The European Union slashed its growth outlook for the Eurozone this year, and the Bank of England projected the weakest economic outlook for the U.K. economy since 2009. Interestingly enough, we see some signs of resilience in the U.S. economy, as GDP data for Q4/18 showed stronger growth than expected.

Optimism continues for settlement of U.S. – Chinese trade dispute. Investors generally expect a positive outcome in the ongoing U.S. – China trade situation. While there is still not a deal in place, the Trump administration has delayed a planned March increase in U.S. tariffs on Chinese goods after productive discussions with Chinese officials.

Did you know?

This week marks the 10-year anniversary of the market bottom of the financial crisis. On March 9, 2009, the S&P 500 index closed at 676.53, down 57% from the October 9, 2007 peak. The S&P 500 is up over 310% since that day, marking one of the longest running bull markets in modern history. As investors wrestled with soaring unemployment, sinking home prices and the demise of Lehman Brothers and others industry giants, few would have predicted a market bottom at the time. While many things have changed in the 10 years since the market bottom, the perils of market timing and the importance of maintaining a long-term investment perspective are still very much in style.

Source: Bloomberg

INDEX [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.12	0.27	1.43	163
Bonds (FTSE Canada Universe Bond)	0.18	1.52	3.63	1067
Canadian Equities (S&P/TSX Composite)	3.15	12.16	6.86	15,999
U.S. Equities (S&P 500, US\$)	3.21	11.48	4.67	2,784
Global Equities (MSCI World, US\$)	3.07	11.13	1.02	2,086
Emerging Markets (MSCI Emerging Markets, US\$)	0.22	8.99	-9.58	1,051

CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-0.39	3.51	-2.62	0.76
C\$/Euro	0.29	4.38	4.44	0.67
C\$/Pound	-1.53	-0.38	1.06	0.57
C\$/Yen	1.93	5.18	1.73	84.58

COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-0.69	2.21	-2.83	1,316.10
Oil WTI (\$/barrel)	5.88	24.18	1.04	57.22
Natural Gas (\$/MMBtu)	1.70	4.81	6.39	2.81

[†]Total Return, as at February 28, 2019. Indices are quoted in their local currency.
Source: Bloomberg

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