2019 Second Quarter – Economic & Market Commentary

July 24, 2019

Hello all,

I hope this letter finds you well and enjoying some long-awaited, warm summer weather. Just wanted to share a few details on how investment markets have performed in the recent months and provide you with some perspective on a few of the broad trends the money managers we are working with are seeing.

After coming off a very strong start to the year in the first quarter, global capital markets continued to chart a generally positive course through the second quarter of 2019. Although ongoing trade disputes unsettled investors for much of the period, equity markets around the globe moved higher, while bond prices also climbed as central banks maintained an easy monetary policy stance.

In Canada, the S&P/TSX Composite Index benefited from strength in the materials and information technology sectors to generate a return of 2.6% for the quarter, bringing the equity benchmark's overall gain to 16.2% for the year-to-date. In the U.S., the S&P 500 Index reached new all-time highs early in the quarter and finished the three-month period 2.2% higher in Canadian dollar terms. Most overseas equity markets also registered modest gains, and the MSCI World Index added about 1.9% for the quarter, also in Canadian dollars.

The equity market rally was supported, in part, by continued low interest rates in North America and abroad. The U.S. Federal Reserve kept its target interest rate unchanged and indicated the possibility of a rate cut in the second half of 2019, prompting the U.S. 10-year government bond yield to decline through the period. As expected, the Bank of Canada also maintained its overnight lending rate of 1.75%, noting that economic growth had been slower than initially anticipated at the beginning of the year. This was positive for bond prices and the FTSE Canada Universe Bond Index, a broad measure of Canadian government and corporate bonds, returned 2.5% for the second quarter.

Many of the conditions that have supported market growth in recent years such as low interest rates, measured economic growth and expanding corporate earnings are expected to continue in the near term. That being said, we are sure to eventually see, as we have in the past, times where prices temporarily correct and/or bouts of volatility.

As always, the capable money managers we are working with are being cautious with your money. They are investing your money in quality, well managed businesses with good future prospects at prices that represent true long-term value based on exhaustive financial statement and balance sheet analysis. They are also selling businesses they currently own when they believe the trading price gets bid up to a point where the market has overvalued the business.

It's this careful and measured investment philosophy and approach that, has served us so well in the past, will continue to protect and grow your investments over the long term.

If you have any questions about your portfolio results or your overall financial plan, or you know of someone who is looking for some help in making their investment decisions, please do not hesitate to contact the office.

In the meantime, I hope you and your family have a safe and happy summer. Enjoy it while it lasts...

Sincerely,

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The information in this letter is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, National Post, and Trading Economics. Index information was provided by TD Newcrest and PC Bond, and all quoted equity index returns are on a total return basis (including dividends). This material is provided for general information and is subject to change without notice. Although every effort has been made to compile this material from reliable sources; no warranty can be made as to its accuracy or completeness, and we assume no responsibility for any reliance upon it. Before acting on any of the above, please contact me for individual financial advice based on your personal circumstances.