

## **2019 Third Quarter – Economic & Market Commentary**

**October 15, 2019**

Hello All,,.

I hope you all had a great summer and you have been able to tolerate the cool and wet weather this fall has brought us (our grain farming friends especially... stay safe out there as you push to finish harvest)

I am writing to bring you up to date on some key market developments over the past three months and to provide some context for how your investment portfolio may have been affected during that time.

Many of the main themes that have affected global asset markets in 2019 – including U.S.-China trade tensions, political uncertainty due to the Brexit negotiations, and slowing economic activity – continued in the third quarter, resulting in somewhat choppy market performance. Nevertheless, market participants ultimately found reasons for optimism in moderate inflation, generally positive corporate earnings reports and supportive business conditions. As a result, many global bond and equity markets posted gains for the quarter.

After reaching a new high in the prior quarter, the U.S. equity market fell sharply near the end of July and remained volatile over the next several weeks before climbing higher again. The S&P 500 Index, an index of the 500 largest U.S. publicly traded companies, finished the period up 3.0% and with a gain of 16.9% for the year-to-date in Canadian dollar terms. The U.S. market rally has been broad-based in 2019, with particularly strong results for companies in the information technology, utilities and real estate sectors.

In Canada, the S&P/TSX Composite Index also weakened in late July, but bounced back to reach a record high late in the quarter, with a rally that was fueled by companies in the financials and consumer staples sectors. The Canadian benchmark gained nearly 2.5% for the quarter, and was one of the best-performing equity markets globally with a year-to-date gain of 19.1%.

Performance for the MSCI EAFE Index, which captures performance for large and mid-cap companies in 21 developed markets across Europe and Asia, was more muted. The index rose slightly by 0.3% in Canadian dollars for the third quarter, bringing its year-to-date gain to 9.9%.

With global growth slowing, the expectation of rate cuts by leading central banks led government bond yields lower and prices higher through much of the three-month period. The U.S. Federal Reserve cut its policy rate twice in the third quarter – once in July and then again in September – citing risks including trade tensions and slowing growth overseas. The European Central Bank responded to slower economic growth by taking its key lending rate into negative territory and re-starting its bond purchase program to ease credit conditions. The Bank of Canada, however, bucked the trend, pointing to a strong economy for maintaining its overnight lending rate at 1.75%. The FTSE Canada Universe Bond Index, a broad measure of Canadian government and corporate bonds, returned 1.2% for the quarter and 7.8% for the year-to-date.

Looking ahead, global growth is expected to continue, albeit at a slower pace than we have seen recently, while the risks stemming from trade disputes and political upheaval could continue to affect global economies and markets. At these times, it's worth bearing in mind that history shows us that markets rarely move forward without temporary corrections or bouts of volatility.

I continue to believe that a diversified portfolio, featuring active management and is best suited to your time horizon and tolerance for risk remains the best strategy for helping you achieve your financial goals.

Enjoy the last few months of 2019 as we head into another Christmas season. As always, should you have any questions regarding your portfolio, or you know of someone who is looking for some help making their investment decisions... please do not hesitate to contact my office.

Sincerely,



**Brian Golly**

**Smart Investing Solutions Inc.**

Suite 230 – 2300 Dewdney Avenue

Regina, Saskatchewan

Office 306-546-2533

*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, Bloomberg, Yahoo Canada Finance, and Trading Economics as at various dates. 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. Every effort has been made to compile this material from reliable sources and reasonable steps has been taken to ensure their accuracy. Market conditions may change which may impact the information contained in this document. Before acting on any of the above, please contact me for individual financial advice based on your personal circumstances.*