



# MARKET COMMENTARY Q3 2019

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## Overview

### Global Geopolitics Issues Increase Downside Risk

Global markets had another eventful quarter amid elevated geopolitical uncertainty and a slowing global economy. The stock market's strong re-bounce in June failed to maintain its momentum through the third quarter of 2019 as trade talks between the United States and China devolved and tensions intensified in August before abating by late September, but only after both parties implemented billions of dollars of levies on imports. Although a new truce appears to have been found, at least temporarily, the back and forth seesaw battle has created an overhang of the world economy that has made both investors and business leaders lose their sense of direction on where this smokeless battle could end up. Similar trade issues have arisen between the U.S. and European nations with the World Trade Organization (WTO) giving the United States the green light to impose tariffs on \$7.5 billion worth of European consumer products including Scotch whisky and French wine. Also weighing on market uncertainty is the ongoing situation surrounding Brexit as the impending October 31<sup>st</sup> final deadline fast approaches. The outlook remains bleak given the hard line that new British Prime Minister Boris Johnson has taken with the European Union (EU) and Britain's proroguing of parliament.

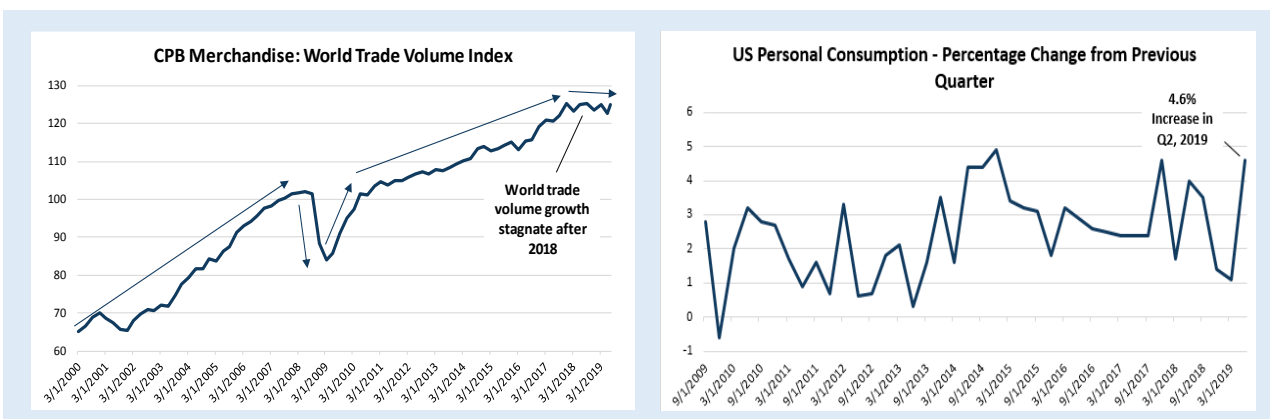
### Global Economic Growth is Slowing but Consumer Spending and Labour Markets Remain Firm

Accompanying the increasing global uncertainty is a downshift in global economic growth. The manufacturing sector has sustained the greatest pressure as the U.S. Manufacturing (PMI) fell below 50 for the first time since 2015. Rising trade tariffs will inevitably increase manufacturing costs and compress

profit margins, the effects of which will eventually be passed on to consumers over the long term. However, the U.S. consumer sector has not shown evidence of weakness yet. U.S. personal consumption increased by 4.6% in Q2, topping consensus forecasts and delivering the second highest quarterly advance since 2008. Retail consumption accounts for approximately 70% of U.S. GDP and as long as the consumer segment remains buoyant, the market may continue to undermine the effect of weaker aggregate growth. Further supporting the belief that economic expansion could persist despite the advancing headwinds is the robustness of the employment situation—the August unemployment rate remains a healthy 3.7% in the United States and 5.7% in Canada.

### Central Banks Leap into Action

To counter mounting uncertainty and a slowing global economy, central banks around the world have concurrently adopted a more dovish stance and implemented various monetary stimulus measures. The U.S. Federal Reserve cut short-term interest rates twice last quarter, and its counterparts in German and Italy are already operating in negative short-rate territory. Central banks appear committed to monetary and quantitative stimulus to stabilize the weakening manufacturing base and support business investment. The real question however, is what level of comfort or confidence do businesses have in making major capital decisions amid an unstable global economy? Monetary easing may serve as a near term relief, but it is unclear how much impact it can actually have, especially when markets have already priced in multiple future rate cuts.



## US Equities Took another Roller Coaster Ride in Q3 but Edged Positively

The backdrop of increasing volatility for U.S. equities has not changed materially from Q2 to Q3. Escalating trade tensions made August the second losing month in 2019 with U.S. equities declining by 3%. The S&P500 ended the third quarter with a modest but positive 1.7% total return gain which was impeded by continued weakness in the energy sector which was down 7.25% on the quarter. Despite a sudden spike on September 16th, concerns over trade wars and the slowing global economy have weighed on oil prices. In response to the weaker economic outlook, the U.S. Federal Reserve cut interest rates by 50bps which fed a rally in the Utility and Real Estate sectors. The Consumer Staples and Technology sectors also showed strong resilience thanks to the robust consumer sector and labour market. After Energy, the Materials and Healthcare sectors were the weakest performing industry sectors with price returns of -0.68% and -2.71% respectively in Q3.

## Canadian Equities Presented More Resilience and Less Volatility

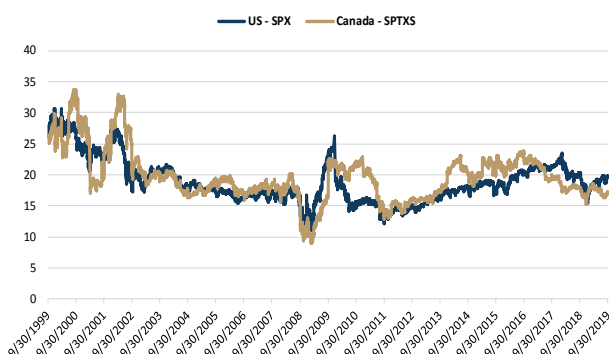
The S&P/TSX Composite Index handed investors a total return of 2.48% for the third quarter—Canadian stocks have exhibited lower volatility and more reasonable valuations on average than their U.S. counterparts. Canadian equity performance was heavily impacted by the Healthcare sector, which plummeted more than 30% during Q3. The significant reason for Healthcare's underperformance was cannabis—with most major

players missing earnings growth expectations, which in turn eroded investor confidence in what had previously been a very buoyant sector. Among other industry sectors, Utilities had the best performance for the quarter, rising 10.12% on a total return basis. It is also worth noting that the Canadian housing market showed modest signs of recovery, as key metrics such as existing home sales, housing starts, and building permits all contributed to positive growth after a protracted decline. The Real Estate sub-index in 2019 has provided a buoyant 25.71% year-to-date and 8.51% quarter-to-date total return.

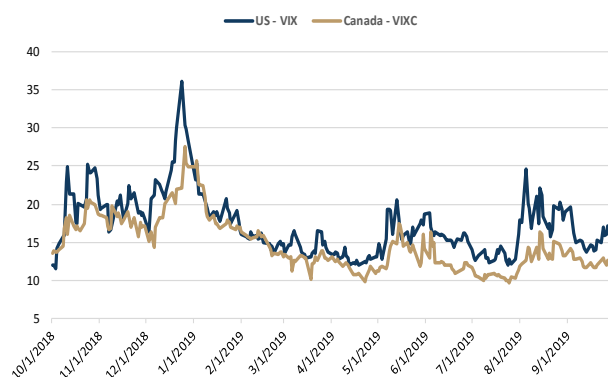
## International Equities Struggle amid Uncertainties and a Strong USD

Both developed and emerging market equities struggled through the third-quarter as the MSCI EAFE index declined 1.7% and MSCI Emerging Markets index dropped 5.1%. Trade tensions and a stronger U.S. dollar provided the major headwinds for foreign equities especially for the emerging markets. Among developed markets, Japan was the best performer while the Hong Kong Hang Seng index dropped 9.54% as protests remained unresolved and continue to hurt consumer discretionary spending and the tourism sector. European equities rallied strongly in September and finished the third quarter with a 2.11% gain thanks to the European Central Bank (ECB)'s new wave of stimulus. The U.K.'s FTSE 100 also handed investors a positive return for September but failed to fully recover the losses incurred during a volatile month of August.

P/E Ratio for SPX and SPTSX Index - Canadian Stocks are More Appealing from Valuation Perspective



VIX and VIXC Index - Market Estimate of Future Volatility



## Trade War Tensions Continue

Amid U.S./China trade war uncertainty, the global economy showed signs of weakening through the third quarter of 2019. The S&P 500 has slipped more than 6% from its previous high since President Trump announced an additional 10% tariffs on Chinese goods on August 1<sup>st</sup>. Following the U.S.'s implementation of tariffs on an additional \$300 billion of untaxed Chinese products and a 5% increase on other Chinese goods that are already in the tariff basket, China responded with its own round of retaliatory tariffs on \$75 billion worth of U.S. goods, also effective September 1. In addition, the People's Bank of China let the offshore Renminbi depreciated past the symbolic 7.0 threshold relative to U.S. dollar for the first time. Tensions between the two trading partners eased in September as both parties released new tariff exemption lists, but the outcome of further trade talks through late October remain uncertain.

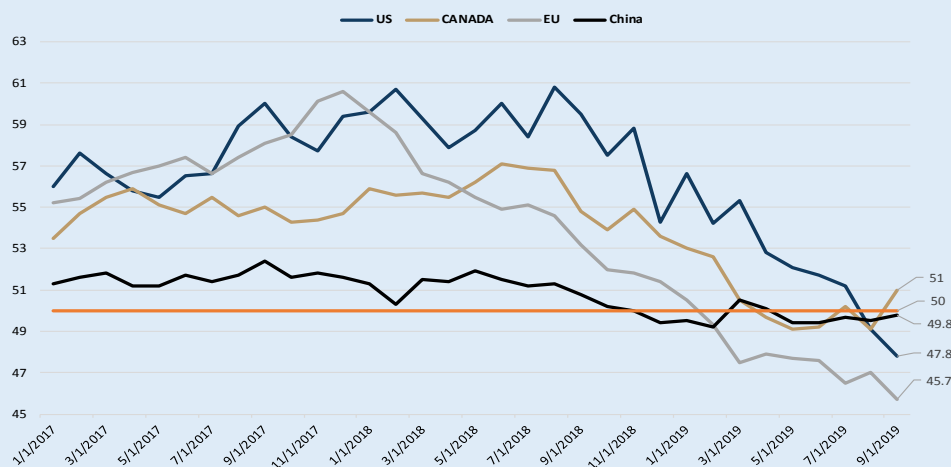
Political and trade uncertainty is one of the most significant headwinds to impact investment spending in the near term. Business investment has been sluggish over the past few quarters despite a decrease in long-term interest rates and lower corporate taxes. Without clarity as to the sustainable direction of tariffs—will they go up or down, and whether other countries will be targeted and what other trade rules will be

implemented, many companies have put their capital expenditures on hold.

Elevated uncertainty has hit the manufacturing sector hardest. The U.S. manufacturing purchasing managers' index (PMI) fell to 47.8 in September, representing a 10 year low. In light of a weaker economic outlook, manufacturers continued to trim their inventory levels, and among them, U.S. technology companies have felt the negative impact most directly. Since 2018, tensions between the United States and China have already cost the technology industry more than \$10 billion. The U.S. ban on Huawei has further negatively impacted matters, as Huawei is not only a competitor to U.S. domestic players, but also a crucial supplier and customer.

The consumer technology segment has not experienced the pain as quickly since most companies have been reluctant to pass on higher costs to retail in the short-term. Mega-tech companies such as Apple and Microsoft have the ability to absorb higher costs in the short-term, and also the influence to receive exclusions from the Trump administration. But over the longer-term, since a large percentage of technology manufacturing is resident in China, if tariffs persist or continue to increase, the end consumer will be the one who eventually pays.

PMI for Major Markets - Global Manufacturing Continues its Slowdown



Source: Bloomberg

## An Easing Cycle Gets Underway

The current environment of slower global growth and elevated uncertainty has pushed policymakers to a renewed focus on economic easing and stimulus. As predicted last quarter, the U.S. Federal Reserve cut its benchmark interest rate to a target range of 1.75% to 2% in Q3 with a purpose to “provide insurance against ongoing economic risks”. U.S. 10-year Treasury bond yields dropped to 1.46% in September, down almost 65 basis points from the quarter prior. North of the border, the Bank of Canada held the bank rate steady at 1.75%, judging the risks to economic growth as being more evenly balanced and not significant enough to warrant immediate stimulus. But the move by the Fed might prompt the Bank of Canada to re-consider its stance in order to maintain support against a depreciating Canadian dollar. The European Central Bank announced a new round of stimulus, pushing interest rates lower by 0.1%, and relaunching its bond-buying program as well as urging local governments to augment support through fiscal stimulus.

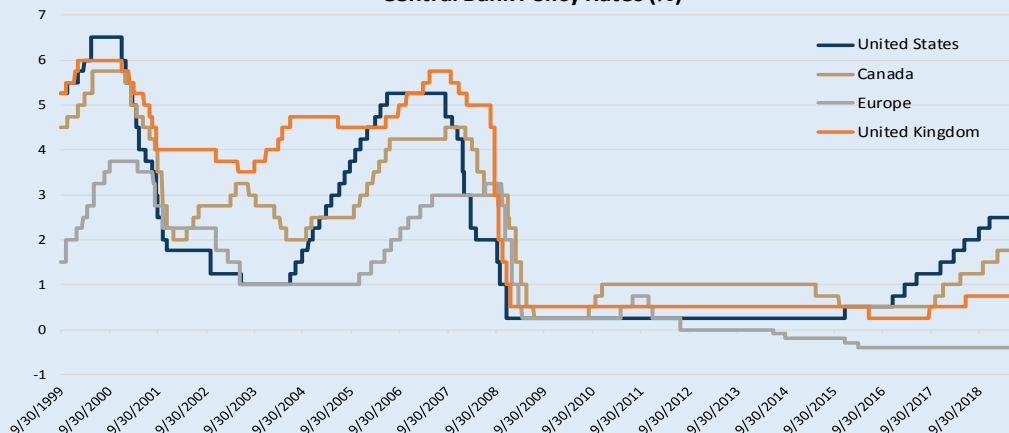
It is well-known to most that U.S. President Trump likes exerting pressure on the Federal Reserve to hasten a more dovish monetary environment. This past September, Trump again tweeted accusations against the Fed of having “no guts, no sense, no vision”, and trying to pressure the FOMC to support further deeper cuts as a mechanism to reduce federal debt servicing costs.

Although Fed Chair Jerome Powell reiterated the independence of the Fed in monetary decision-making, separate from the executive branch of government, it was interesting to see the research finding from the National Bureau of Economic Research (NBER) that the upward movement of the implied Fed Fund Futures rate is actually strongly correlated to the President’s tweets. In other words, the market tends to develop expectations on policy rate decisions based on the President’s social media comments. Arguably, Trump’s public pressuring may end up inhibiting the very goal it intends to promote by limiting the Fed’s effectiveness of using monetary policy to influence economic/market direction due to the existence of the pre-conceived expectations.

30-Day Fed Fund Futures Price - Market Expectation on Federal Funds Rate



Central Bank Policy Rates (%)



Source: Bloomberg



## European Market Exhibits Slowdown

As a new round of trade wars ignited, European economic growth has been lacklustre. Overall, the Eurozone posted a 1.2% annualized growth rate in Q2, and a tepid 1.0% YoY CPI increase for September. The weakness was largely concentrated in the manufacturing sector—specifically, manufacturing PMI in Germany is at its lowest level since the aftermath of the global financial crisis of 2008, falling from 43.5 in August to 41.4 in September. The automobile sector, arguably the most important industry to the German economy, relies heavily on exports and strength in the global economy. Three major Germany automakers; Volkswagen AG, Daimler AG, and Bayerische Moto (BMW) all derive about a third of their revenue from China, whose auto market experienced its 14<sup>th</sup> consecutive decrease in September as weaker consumer sentiment was weighed by escalating trade wars. In addition, the Chinese government's attempt to implement higher emission standards nationwide also spun car dealerships into chaos. Some cities have pushed enforcement of emissions standards a year ahead to help ease sales of non-compliant vehicles, as customers have been reluctant to purchase new autos until they have assurance that the vehicles

conform to new Chinese guidelines. Alongside slower German manufacturing growth prospects, the U.K. is surrounded by economic and financial instability resulting from Brexit. The country is scheduled to exit the European Union on October 31<sup>st</sup>, with still no organized departure agreement in place, raising the prospect that the U.K. will crash out of EU with serious economic consequences. The uncertainty of Brexit has weighed heavily on the British economy as investment and productivity levels have not shown growth since late-2017.

## Donald Trump Impeachment Probe

In August, U.S. President Donald Trump faced new accusations that he pressured Ukraine's President to investigate democratic front-runner Joe Biden's son, as a quid pro quo to receiving U.S. military aid that Congress had already approved for Ukraine. A formal whistleblower complaint alleged that the President used "the power of his office to solicit interference from a foreign country" to support Trump's prospects in next year's presidential election. The complaint also alleged that Trump officials who were aware of the incident, had been "deeply disturbed" by the President's call with the Ukrainian leader and acted quickly to "lock down" details of the conversation in a classified White House server.

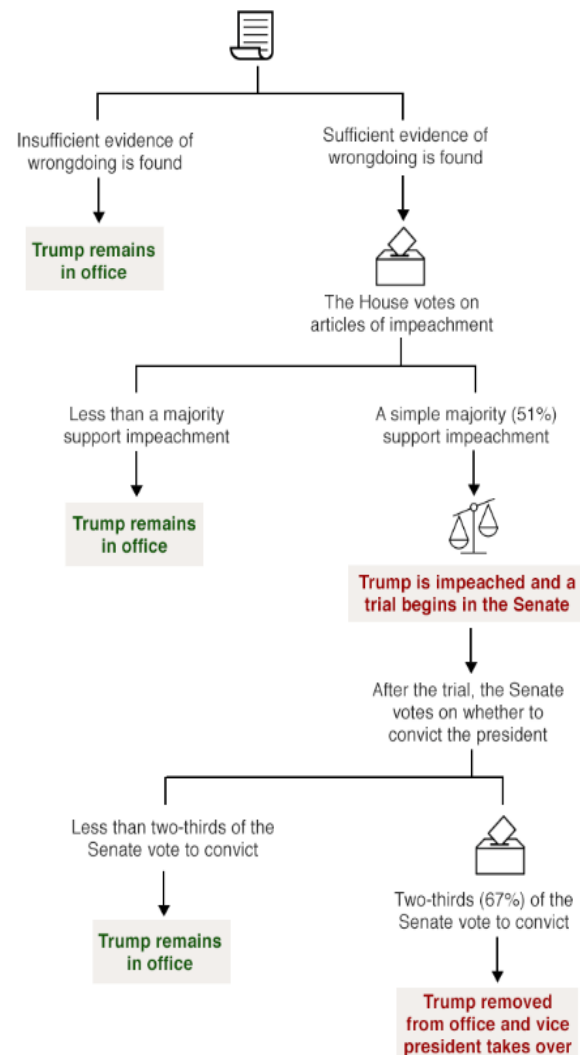
The incident has lead Democrats to formally launch an impeachment inquiry.

In the history of the United States there have only been two instances of an impeachment inquiry being launched against the President. Most recently, Bill Clinton, found himself the subject of an impeached inquiry after he lied about his relationship with Monica Lewinsky, a 22-year old White House Intern. The House voted twice in favor of impeaching Clinton, but when the trial reached the Senate in 1999, it failed to garner the necessary support. It is interesting to note that, at the time in 1998, Clinton's presidential approval rating was 72% (versus Trump's 40% approval rating as at Oct 5th, 2019).

Although the odds of impeachment seem unlikely as Republicans control the majority of the Senate, what would be the political (and economic) repercussions if Donald Trump was impeached and removed from the oval office? The current Vice President, Mike Pence stands next in line for the presidency after Trump. Mr. Pence, as a hypothetical president, would likely take more of a traditionalist approach. Americans would probably not see President Pence tweeting out rants against political opponents in the middle of the night. And while Pence's religious extremism also once sparked public outcry when he signed the Religious Freedom Restoration Act as governor for the state of Indiana. In comparison to Trump, Pence would be viewed as a moderate when it comes to issues affecting, immigration, social freedoms, foreign affairs, and even economic policy. Pence may not be as politically deft or cunning as Trump but his more predictable and socially moderate behavior could alleviate Trump's anxiety-inducing, market rattling behavior on the world stage and among U.S. allies.

## What happens next in impeachment process?

Six House committees investigating President Trump make submissions to the House Judiciary Committee, which considers the case for impeachment



Source: BBC

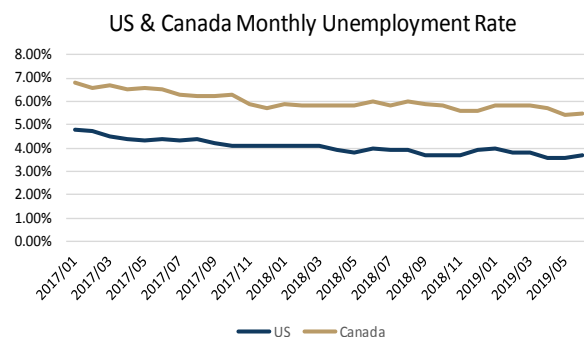
## Key Economic Indicator

### Canada

Canadian GDP grew by an annualized 3.7% in the second quarter, compared to the more stagnant 0.4% advancement experienced in Q1. Beneath the headline number, the improvement was led by stronger net exports and a recovery in the residential real estate sector. Support from a robust labour market, together with ongoing low interest rates helped drive strength in housing, lifting existing home sales up 3.5% in July. The housing upturn was however more specifically focused on primary urban centers largely influenced by increased residential resale activity in the Greater Toronto Market, Greater Vancouver Area as well as lower Fraser Valley. Consumer spending in Q2 was modest relative to the United States, with household consumption up marginally by 0.5%, mainly held back by declining spending on discretionary products including automobiles. What was more concerning was non-residential investment, specifically, spending on machinery and equipment fell 32% during Q2 2019. The fact that the Bank of Canada held interest rates unchanged as its last September 4 meeting indicated the bank's positive assessment of the Canadian economy. Looking ahead, the BoC still has room to cut the bank rate further before worrying about brushing up against the lower bound.

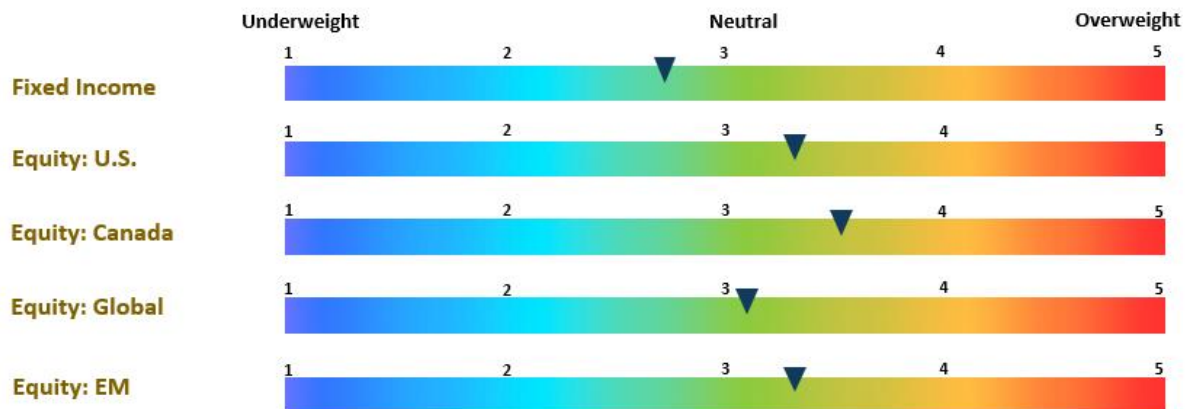
### United States

The U.S. economy grew by 2.0% in the second quarter down from the blistering pace of 3.1% growth in Q1. The combination of labour market expansion and personal consumption expenditure increases remain the key bright spots contributing to the healthy trajectory for real GDP. The job report affirmed this encouragement with non-farm payrolls increasing 136k and the unemployment rate recently falling to its lowest level in five decades at 3.5%. Adding to the positive tone was the increase to personal income of \$73.5 billion (+0.4% growth) in August. The only weak link in labour market was that the manufacturing sector which started shedding jobs in September. Across the globe, the manufacturing sector has shown weakness amid ongoing protectionism and trade uncertainties. The U.S. ISM Manufacturing index declined for the six consecutive month and closed below 50 in both August and September, indicating contraction in manufacturing activities.



Source: Bloomberg

## Tactical Asset Allocation



### Fixed Income

Global sovereign bonds extended their rally last quarter as yields contracted. Concerns over trade and slowing global economic growth fed increasing demand for high quality fixed income assets. Thirty-year U.S. treasury yields fell below 2.0% for the first time ever and 10-year U.S. treasuries yields declined to their lowest level since 2016. Such unsustainable low yields imply a near-zero inflation premium, which means that sovereign bond investors may need to accept a loss in purchasing power should they intend to hold to maturity. As a result, barring recession, prospective returns for government fixed income securities are slim and relatively unfavorable in comparison to dividend yields even among the highest quality of equities. In the long term, it is unlikely that the current market headwinds can hold real rates this low much longer. The current ultra-low interest rate environment plus central banks' recent dovish stance have led to better

opportunities in the investment-grade credit market, but investors should be cautious that as demand for yield migrates to credit, near term valuation concerns may also arise.

### Equities

Through most of 2019, despite increasing turbulence for North America markets, equities proved their ability to deliver attractive gains and dismissed tensions and worries of economic slowdown or recession. With tailwinds from robust consumer and labour markets, we are still not convinced to trim the equity positions below "neutral" as it appears equities have some momentum left in the near term. The downside risks brought on by geopolitics tensions and the slowing global economy particularly in the manufacturing sector, together with lofty valuations and the age of the current business cycle suggest that substantial risks are evident – positioning more defensively, and most importantly, to higher-quality assets is warranted.

## Canada & U.S. Equity Universe Q3 2019

| Sector                 | SP/TSX Comp. | S&P/TSX Leaders/Laggards |         |                           |         | S&P 500 | S&P 500 Leaders/Laggards |        |                       |         |
|------------------------|--------------|--------------------------|---------|---------------------------|---------|---------|--------------------------|--------|-----------------------|---------|
| Health Care            | -30.14%      | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Extencare Inc.           | 3.45%   | Aurora Cannabis Inc.      | -43.27% |         | Edwards Lifesciences     | 19.04% | Align Technology Inc. | -33.90% |
|                        |              | Sienna Senior Living     | -0.87%  | Cronos Group Inc.         | -43.03% |         | Perrigo Co. PLC          | 17.90% | Abiomed Inc.          | -31.71% |
|                        |              | Chartwell Retirement     | -2.32%  | Canopy Growth Corp        | -42.60% | -2.71%  | Zimmer Biomet Hld        | 16.79% | Alexion Phar. Inc.    | -25.23% |
|                        |              | Knight Therapeutics      | -3.76%  | Aphria Inc.               | -25.30% |         | CVS Health Corp          | 16.78% | Centene Corp          | -17.51% |
| Information Technology | 3.29%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Bausch Health Cos Inc    | -12.53% | Hexo Corp                 | -25.18% |         | Universal Health Svcs    | 14.24% | Illumina Inc.         | -17.37% |
|                        |              | Descartes Systems        | 10.38%  | Blackberry Ltd.           | -28.89% |         | KLA Corp                 | 35.65% | DXC Technology Co.    | -46.17% |
|                        |              | Constellation Software   | 7.31%   | Open Text Corp            | 0.45%   | 2.97%   | Western Digital Corp     | 25.43% | Xilinx Inc.           | -18.39% |
|                        |              | Celestica Inc.           | 6.26%   | CGI Inc.                  | 4.05%   |         | Lam Research Corp        | 23.65% | Xerox Holdings Corp   | -14.83% |
| Real Estate            | 7.36%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Enghouse Systems Ltd     | 5.72%   | Shopify Inc.              | 4.76%   |         | Western Union Co.        | 17.48% | Netapp Inc.           | -14.23% |
|                        |              | Kinaxis Inc.             | 5.57%   |                           |         |         | Seagate Technology       | 15.54% | Corning Inc.          | -13.54% |
|                        |              | Dream Office R/E Inv.    | 26.43%  | SmartCentres R/E Inv.     | -0.77%  |         | Equinix Inc              | 14.89% | Host Hotels & Resort  | -3.97%  |
|                        |              | Altus Group Ltd.         | 25.05%  | Northwest Healthcare      | 1.62%   | 6.88%   | Kimco Realty Corp        | 14.73% | Macerich Co/The       | -3.24%  |
| Utilities              | 8.97%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Dream Global R/E Inv.    | 22.90%  | First Capital Realty Inc. | 1.94%   |         | Equity Residential       | 14.37% | Simon Property Group  | -1.21%  |
|                        |              | Interrent R/E Invest     | 19.11%  | Tricon Capital Group      | 2.29%   |         | HCP Inc.                 | 12.69% | Vornado Realty Trust  | 0.37%   |
|                        |              | Allied Properties        | 13.97%  | H&R REIT                  | 2.81%   |         | Essex Property Trust     | 12.56% | Boston Properties Inc | 1.24%   |
|                        |              | Brookfield Renewable     | 20.42%  | Superior Plus Corp        | -8.69%  |         | Entergy Corp             | 15.00% | AES Corp              | -1.72%  |
| Industrials            | -1.84%       | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Brookfield Infra.        | 18.12%  | Altas Ltd.                | -0.61%  | 8.40%   | Wec Energy Group Inc.    | 14.82% | Exelon Corp           | -1.43%  |
|                        |              | Boralex Inc.             | 15.85%  | Transalta Renewable       | 0.15%   |         | Nextera Energy Inc.      | 14.37% | PPL Corp              | 2.97%   |
|                        |              | Algonquin Power          | 15.48%  | Northland Power           | 0.87%   |         | Edison International     | 13.82% | Pinnacle West         | 4.00%   |
|                        |              | Innervex Renewable       | 10.95%  | Transalta Corp            | 1.65%   |         | Firstenergy Corp         | 13.65% | Nisource Inc.         | 4.59%   |
| Energy                 | -0.04%       | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Ritchie Bros             | 21.88%  | SNC-Lavalin Group         | -29.45% |         | Hunt (JB) Transprt Svcs  | 21.36% | American Airlines     | -17.00% |
|                        |              | Ballard Power Sys.       | 20.93%  | NFI Group Inc.            | -22.66% | 0.49%   | United Parcel Service    | 17.07% | Fortive Corp          | -15.81% |
|                        |              | Richelieu Hardware       | 16.10%  | Bombardier Inc.           | -18.64% |         | Northrop Grumman         | 16.41% | General Electric Co.  | -14.77% |
|                        |              | Morneau Shepell          | 12.14%  | AG Growth Intl.           | -18.00% |         | Raytheon Company         | 13.45% | Flowerserve Corp      | -11.00% |
| Financials             | 4.18%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Cargojet Inc.            | 12.10%  | ATS Automation            | -14.98% |         | Cintas Corp              | 12.98% | Fedex Corp            | -10.99% |
|                        |              | Seven Generation         | 31.15%  | Enerflex Ltd.             | -31.30% |         | Hollyfrontier Corp       | 16.74% | Concho Resources Inc  | -34.07% |
|                        |              | Crescent Point           | 30.96%  | Husky Energy Inc.         | -23.84% | -7.25%  | Phillips 66              | 10.48% | Cabot Oil & Gas       | -23.08% |
|                        |              | Inter Pipeline Ltd.      | 16.21%  | Tourmaline Oil            | -20.73% |         | Marathon Petroleum       | 9.93%  | EOG Resources Inc.    | -20.07% |
| Consumer Discretionary | 2.27%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | MEG Energy Group         | 15.54%  | Secure Energy Svcs.       | -20.69% |         | Oneok Inc.               | 8.45%  | Helmerich & Payne     | -19.54% |
|                        |              | Whitecap Resources       | 10.53%  | Gran Tierra Energy        | -20.00% |         | Noble Energy Inc.        | 0.86%  | Cimarex Energy Co.    | -18.81% |
|                        |              | Equitable Group Inc.     | 43.49%  | Fairfax Financial Hldgs.  | -9.14%  |         | Assurant Inc.            | 18.85% | Franklin Resources    | -16.31% |
|                        |              | Home Capital Group       | 32.90%  | CI Financial Corp         | -8.57%  | 1.44%   | Cincinnati Financial Co  | 13.10% | Invesco Ltd.          | -15.58% |
| Consumer Staples       | 5.42%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Genworth MI Canada       | 28.20%  | Bank of Montreal          | -0.32%  |         | CBOE Global Markets      | 11.22% | Unum Group            | -10.64% |
|                        |              | TMX Group Ltd.           | 26.19%  | Laurentian Bank           | 1.57%   |         | Suntrust Banks Inc.      | 10.48% | Prudential Financial  | -9.84%  |
|                        |              | IA Financial Corp Inc.   | 13.95%  | Toronto-Dominion Bank     | 1.93%   |         | Chubb Ltd.               | 10.12% | Affiliated Managers   | -9.18%  |
|                        |              | Canada Goose Hldgs       | 14.91%  | Linamar Corp              | -11.63% |         | Target Corp              | 24.39% | Ulta Beauty Inc.      | -27.74% |
| Communication Services | 0.90%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | BRP Inc/CA               | 10.37%  | Stars Group Inc/The       | -11.28% | 0.18%   | Newell Brands Inc.       | 23.14% | Macy's Inc.           | -26.02% |
|                        |              | Sleep Country Canada     | 9.51%   | Great Canadian Gaming     | -6.89%  |         | Dr Horton Inc.           | 22.60% | L Brands Inc.         | -23.82% |
|                        |              | Magna Intl. Inc.         | 9.20%   | Gildan Activewear Inc.    | -6.89%  |         | LKQ Corp                 | 18.19% | Under Armour Inc.     | -21.34% |
|                        |              | Spin Mater Corp          | 6.89%   | MTY Food Group Inc.       | -2.75%  |         | Dollar General Corp      | 17.86% | H&R Block Inc.        | -18.53% |
| Materials              | 0.07%        | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Metro Inc/CN             | 19.12%  | Cott Corporation          | -5.04%  |         | Kellogg Co.              | 21.22% | Coty Inc.             | -20.57% |
|                        |              | Loblaw Companies         | 13.03%  | North West Co. Inc./The   | -4.20%  | 5.36%   | Kroger Co.               | 19.58% | Altria Group Inc.     | -11.96% |
|                        |              | Weston (George) Ltd.     | 12.70%  | Alimentation Couche       | -1.18%  |         | Campbell Soup Co.        | 18.09% | Monster Beverage      | -9.04%  |
|                        |              | Empire Co. Ltd.          | 9.15%   | Maple Leaf Foods          | 4.11%   |         | Conagra Brands Inc.      | 16.54% | Kraft Heinz Co/The    | -8.58%  |
|                        |              | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Premium Brands           | 4.64%   | Saputo Inc.               | 4.32%   |         | Hershey Co/The           | 16.20% | JM Smucker Co/The     | -3.74%  |
|                        |              | Cogeco Comm. Svc.        | 13.94%  | Rogers Comm Inc.          | -7.23%  |         | Twitter Inc.             | 18.05% | Netflix Inc.          | -27.14% |
|                        |              | BCE Inc.                 | 8.89%   | Quebecor Inc.             | -3.21%  | 1.84%   | AT&T Inc.                | 14.63% | Viacom Inc.           | -18.93% |
|                        |              | Cineplex Inc.            | 7.47%   |                           |         |         | Alphabet Inc.            | 12.78% | CBS Corp              | -18.76% |
|                        |              | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Telus Corp               | -1.47%  |                           |         |         | Activision Blizzard Inc. | 12.12% | TripAdvisor Inc.      | -16.44% |
|                        |              | Shaw Comm. Inc.          | -1.48%  |                           |         |         | Take-Two Interactive     | 10.40% | Discovery Inc.        | -13.46% |
|                        |              | SilverCorp Metals Inc.   | 58.64%  | Turquoise Hill Resource   | -61.96% |         | Sherwin-Williams Co.     | 20.25% | Mosaic Co/The         | -17.87% |
|                        |              | Canfor Corp              | 46.10%  | Hudbay Minerals Inc.      | -32.43% | -0.68%  | Martin Marietta          | 19.38% | Freeport-McMoran      | -17.20% |
|                        |              | <b>Leaders</b>           |         | <b>Laggards</b>           |         |         | <b>Leaders</b>           |        | <b>Laggards</b>       |         |
|                        |              | Eldorado Gold Corp       | 34.82%  | Labrador Iron Ore         | -28.98% |         | Celanese Corp            | 14.07% | IFF                   | -14.92% |
|                        |              | Yamana Gold Inc.         | 26.88%  | Teck Resources            | -28.78% |         | Packaging Corp of Amer.  | 12.13% | Arcor PLC             | -14.09% |
|                        |              | Pan American Silver      | 22.82%  | Methanex Corp             | -20.12% |         | Vulcan materials Co.     | 10.39% | Nucor Corp            | -6.88%  |

Source: Bloomberg

## Key Economy Indicators – Canada



| Labour Market Data       |        |           |                |        |        |         |
|--------------------------|--------|-----------|----------------|--------|--------|---------|
| Event                    | Period | Date      | Consensus Est. | Actual | Prior  | Revised |
| Net Change in Employment | Jun    | 5-Jul-19  | 9.9k           | -2.2k  | 27.7k  | --      |
| Unemployment Rate        | Jun    | 5-Jul-19  | 5.50%          | 5.50%  | 5.40%  | --      |
| Net Change in Employment | Jul    | 9-Aug-19  | 15.0k          | -24.2k | -2.2k  | --      |
| Unemployment Rate        | Jul    | 9-Aug-19  | 5.50%          | 5.70%  | 5.50%  | --      |
| Net Change in Employment | Aug    | 6-Sep-19  | 20.0k          | 81.1k  | -24.2k | --      |
| Unemployment Rate        | Aug    | 6-Sep-19  | 5.70%          | 5.70%  | 5.70%  | --      |
| Net Change in Employment | Sep    | 11-Oct-19 | 7.5k           | 53.7k  | 81.1k  | --      |
| Unemployment Rate        | Sep    | 11-Oct-19 | 5.70%          | 5.50%  | 5.70%  | --      |

| Price Inflation Data         |        |           |                |        |        |         |
|------------------------------|--------|-----------|----------------|--------|--------|---------|
| Event                        | Period | Date      | Consensus Est. | Actual | Prior  | Revised |
| CPI YoY                      | Jun    | 17-Jul-19 | 2.00%          | 2.00%  | 2.40%  | --      |
| CPI Core- Common YoY%        | Jun    | 17-Jul-19 | 1.80%          | 1.80%  | 1.80%  | --      |
| Industrial Product Price MoM | Jun    | 31-Jul-19 | -0.20%         | -1.40% | 0.10%  | -0.10%  |
| CPI YoY                      | Jul    | 21-Aug-19 | 1.70%          | 2.00%  | 2.00%  | --      |
| CPI Core- Common YoY%        | Jul    | 21-Aug-19 | 1.80%          | 1.90%  | 1.80%  | --      |
| Industrial Product Price MoM | Jul    | 30-Aug-19 | 0.30%          | -0.30% | -1.40% | --      |
| CPI YoY                      | Aug    | 18-Sep-19 | 1.90%          | 1.90%  | 2.00%  | --      |
| CPI Core- Common YoY%        | Aug    | 18-Sep-19 | 1.90%          | 1.80%  | 1.90%  | --      |
| Industrial Product Price MoM | Aug    | 30-Sep-19 | -0.50%         | 0.20%  | -0.30% | --      |

| GDP Data                 |        |           |                |        |       |         |
|--------------------------|--------|-----------|----------------|--------|-------|---------|
| Event                    | Period | Date      | Consensus Est. | Actual | Prior | Revised |
| GDP MoM                  | May    | 31-Jul-19 | 0.10%          | 0.20%  | 0.30% | --      |
| GDP YoY                  | May    | 31-Jul-19 | 1.30%          | 1.40%  | 1.50% | 1.60%   |
| Quarterly GDP Annualized | 2Q     | 30-Aug-19 | 3.00%          | 3.70%  | 0.40% | 0.50%   |
| GDP MoM                  | Jun    | 30-Aug-19 | 0.10%          | 0.20%  | 0.20% | --      |
| GDP YoY                  | Jun    | 30-Aug-19 | 1.40%          | 1.50%  | 1.40% | --      |
| GDP MoM                  | Jul    | 1-Oct-19  | 0.10%          | 0.00%  | 0.20% | --      |
| GDP YoY                  | Jul    | 1-Oct-19  | 1.40%          | 1.30%  | 1.50% | --      |

| Manufacturing Data              |        |           |                |        |       |         |
|---------------------------------|--------|-----------|----------------|--------|-------|---------|
| Event                           | Period | Date      | Consensus Est. | Actual | Prior | Revised |
| Markit Canada Manufacturing PMI | Jun    | 2-Jul-19  | --             | 49.2   | 49.1  | --      |
| Markit Canada Manufacturing PMI | Jul    | 1-Aug-19  | --             | 50.2   | 49.2  | --      |
| Markit Canada Manufacturing PMI | Aug    | 3-Sep-19  | --             | 49.1   | 50.2  | --      |
| Capacity Utilization Rate       | 2Q     | 11-Sep-19 | 82.0%          | 83.3%  | 80.9% | 81.1%   |
| Markit Canada Manufacturing PMI | Sep    | 1-Oct-19  | --             | 51     | 49.1  | --      |

| Housing Data                |        |           |                |        |        |         |
|-----------------------------|--------|-----------|----------------|--------|--------|---------|
| Event                       | Period | Date      | Consensus Est. | Actual | Prior  | Revised |
| Housing Starts              | Jun    | 9-Jul-19  | 208.6k         | 245.7k | 202.3k | 196.8k  |
| New Housing Price Index MoM | May    | 11-Jul-19 | 0.10%          | -0.10% | 0.00%  | --      |
| New Housing Price Index MoM | Jun    | 8-Aug-19  | 0.00%          | -0.10% | -0.10% | --      |
| Housing Starts              | Jul    | 9-Aug-19  | 202.0k         | 222.0k | 245.7k | 245.5k  |
| Housing Starts              | Aug    | 10-Sep-19 | 212.5k         | 226.6k | 222.0k | 222.5k  |
| New Housing Price Index MoM | Jul    | 12-Sep-19 | 0.00%          | -0.10% | -0.10% | --      |
| Housing Starts              | Sep    | 8-Oct-19  | 220.0k         | 221.2k | 226.6k | 226.9k  |
| New Housing Price Index MoM | Aug    | 10-Oct-19 | -0.10%         | 0.10%  | -0.10% | --      |

| Trade Data              |        |           |                |          |           |           |
|-------------------------|--------|-----------|----------------|----------|-----------|-----------|
| Event                   | Period | Date      | Consensus Est. | Actual   | Prior     | Revised   |
| Current Account Balance | 2Q     | 29-Aug-19 | -\$9.75b       | -\$6.38b | -\$17.35b | -\$16.63b |

Source: Bloomberg

## Key Economy Indicators – U.S.



| Labor Market Data           |        |        |                |        |       |         |
|-----------------------------|--------|--------|----------------|--------|-------|---------|
| Event                       | Period | Date   | Consensus Est. | Actual | Prior | Revised |
| ADP Employment Change       | Jun    | 3-Jul  | 140k           | 102k   | 27k   | 46k     |
| Unemployment Rate           | Jun    | 5-Jul  | 3.60%          | 3.70%  | 3.60% | --      |
| Average Hourly Earnings MoM | Jun    | 5-Jul  | 0.30%          | 0.20%  | 0.20% | 0.30%   |
| Average Hourly Earnings YoY | Jun    | 5-Jul  | 3.20%          | 3.10%  | 3.10% | --      |
| ADP Employment Change       | Jul    | 31-Jul | 150k           | 156k   | 102k  | 107k    |
| Unemployment Rate           | Jul    | 2-Aug  | 3.60%          | 3.70%  | 3.70% | --      |
| Average Hourly Earnings MoM | Jul    | 2-Aug  | 0.20%          | 0.30%  | 0.20% | 0.30%   |
| Average Hourly Earnings YoY | Jul    | 2-Aug  | 3.10%          | 3.20%  | 3.10% | 3.20%   |
| ADP Employment Change       | Aug    | 5-Sep  | 148k           | 195k   | 156k  | 143k    |
| Average Hourly Earnings YoY | Aug    | 6-Sep  | 3.0%           | 3.2%   | 3.2%  | 3.2%    |
| Unemployment Rate           | Aug    | 6-Sep  | 3.70%          | 3.70%  | 3.70% | --      |
| Average Hourly Earnings MoM | Aug    | 6-Sep  | 0.30%          | 0.40%  | 0.30% | --      |
| ADP Employment Change       | Sep    | 2-Oct  | 140k           | 135k   | 195k  | 157k    |
| Unemployment Rate           | Sep    | 4-Oct  | 3.70%          | 3.50%  | 3.70% | --      |
| Average Hourly Earnings MoM | Sep    | 4-Oct  | 0.20%          | 0.00%  | 0.40% | --      |
| Average Hourly Earnings YoY | Sep    | 4-Oct  | 3.20%          | 2.90%  | 3.20% | --      |

| Price Inflation Data       |        |        |                |        |       |         |
|----------------------------|--------|--------|----------------|--------|-------|---------|
| Event                      | Period | Date   | Consensus Est. | Actual | Prior | Revised |
| CPI YoY                    | Jun    | 11-Jul | 1.60%          | 1.60%  | 1.80% | --      |
| CPI Ex Food and Energy YoY | Jun    | 11-Jul | 2.00%          | 2.10%  | 2.00% | --      |
| CPI YoY                    | Jul    | 13-Aug | 1.70%          | 1.80%  | 1.60% | --      |
| CPI Ex Food and Energy YoY | Jul    | 13-Aug | 2.10%          | 2.20%  | 2.10% | --      |
| CPI YoY                    | Aug    | 12-Sep | 1.80%          | 1.70%  | 1.80% | --      |
| CPI Ex Food and Energy YoY | Aug    | 12-Sep | 2.30%          | 2.40%  | 2.20% | --      |
| CPI YoY                    | Sep    | 10-Oct | 1.80%          | 1.70%  | 1.70% | --      |
| CPI Ex Food and Energy YoY | Sep    | 10-Oct | 2.40%          | 2.40%  | 2.40% | --      |

| GDP Data             |        |        |                |        |       |         |
|----------------------|--------|--------|----------------|--------|-------|---------|
| Event                | Period | Date   | Consensus Est. | Actual | Prior | Revised |
| GDP Annualized QoQ   | 2Q A   | 26-Jul | 1.80%          | 2.10%  | 3.10% | --      |
| Personal Consumption | 2Q A   | 26-Jul | 4.00%          | 4.30%  | 0.90% | 1.10%   |
| GDP Annualized QoQ   | 2Q S   | 29-Aug | 2.00%          | 2.00%  | 2.10% | --      |
| Personal Consumption | 2Q S   | 29-Aug | 4.30%          | 4.70%  | 4.30% | --      |
| GDP Annualized QoQ   | 2Q T   | 26-Sep | 2.00%          | 2.00%  | 2.00% | --      |
| Personal Consumption | 2Q T   | 26-Sep | 4.70%          | 4.60%  | 4.70% | --      |

| Housing Data                   |        |        |                |        |        |         |
|--------------------------------|--------|--------|----------------|--------|--------|---------|
| Event                          | Period | Date   | Consensus Est. | Actual | Prior  | Revised |
| Housing Starts MoM             | Jun    | 17-Jul | -0.70%         | -0.90% | -0.90% | -0.50%  |
| Housing Starts MoM             | Jul    | 16-Aug | 0.20%          | -4.00% | -0.90% | -2.50%  |
| House Price Purchase Index QoQ | 2Q     | 27-Aug | 0.30%          | 1.00%  | 1.10%  | 1.30%   |
| Housing Starts MoM             | Aug    | 18-Sep | 5.00%          | 12.30% | -4.00% | -1.50%  |

| Manufacturing Data          |        |       |                |        |       |         |
|-----------------------------|--------|-------|----------------|--------|-------|---------|
| Event                       | Period | Date  | Consensus Est. | Actual | Prior | Revised |
| ISM Manufacturing           | Jun    | 1-Jul | 51             | 51.7   | 52.1  | --      |
| ISM Non-Manufacturing Index | Jun    | 3-Jul | 56             | 55.1   | 56.9  | --      |
| ISM Manufacturing           | Jul    | 1-Aug | 52             | 51.2   | 51.7  | --      |
| ISM Non-Manufacturing Index | Jul    | 5-Aug | 55.5           | 53.7   | 55.1  | --      |
| ISM Manufacturing           | Aug    | 3-Sep | 51.3           | 49.1   | 51.2  | --      |
| ISM Non-Manufacturing Index | Aug    | 5-Sep | 54             | 56.4   | 53.7  | --      |
| ISM Manufacturing           | Sep    | 1-Oct | 50             | 47.8   | 49.1  | --      |
| ISM Non-Manufacturing Index | Sep    | 3-Oct | 55             | 52.6   | 56.4  | --      |

| Consumer Data     |        |        |                |        |       |         |
|-------------------|--------|--------|----------------|--------|-------|---------|
| Event             | Period | Date   | Consensus Est. | Actual | Prior | Revised |
| Personal Income   | Jun    | 30-Jul | 0.40%          | 0.40%  | 0.50% | 0.40%   |
| Personal Spending | Jun    | 30-Jul | 0.30%          | 0.30%  | 0.40% | 0.40%   |
| Personal Income   | Jul    | 30-Aug | 0.30%          | 0.10%  | 0.40% | 0.40%   |
| Personal Spending | Jul    | 30-Aug | 0.50%          | 0.60%  | 0.30% | --      |
| Personal Income   | Aug    | 27-Sep | 0.40%          | 0.40%  | 0.10% | --      |
| Personal Spending | Aug    | 27-Sep | 0.30%          | 0.10%  | 0.60% | 0.50%   |

| Trade Data              |        |        |                |           |           |           |
|-------------------------|--------|--------|----------------|-----------|-----------|-----------|
| Event                   | Period | Date   | Consensus Est. | Actual    | Prior     | Revised   |
| Trade Balance           | May    | 3-Jul  | -\$54.0b       | -\$55.5b  | -\$50.8b  | -\$52.0b  |
| Trade Balance           | Jun    | 2-Aug  | -\$54.6b       | -\$55.2b  | -\$55.5b  | -\$55.8b  |
| Trade Balance           | Jul    | 4-Sep  | -\$53.4b       | -\$54.0b  | -\$55.2b  | -\$55.5b  |
| Current Account Balance | 2Q     | 19-Sep | -\$127.4b      | -\$128.2b | -\$130.4b | -\$136.2b |
| Trade Balance           | Aug    | 4-Oct  | -\$54.5b       | -\$54.9b  | -\$54.0b  | --        |

Source: Bloomberg

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