Justwealth 2nd Quarter 2017 Market Commentary

Markets presented a bit of a reality check for investors in the second quarter as the streak of abnormally high quarterly returns ended. Among the worst performers in the world was the Canadian stock market which continues to suffer from weak oil and gold prices. On a year-to-date basis, the S&P/TSX Composite was just barely positive through to the end of June and has since turned negative. Small cap Canadian stocks, which tend to be a bit more volatile were down 5.5% in the second quarter. Canadian fixed income returns were positive for the quarter although returns were negative for the months of May and June.

If you listen to the business news updates or read the newspapers, you may have heard a lot of comments lately about the U.S. stock markets hitting all-time highs. While certain U.S. indices did set some records, the results were not as rewarding for Canadian-based investors as the Canadian dollar advanced noticeably in the quarter negating almost all the gains made in the stock market. Always be careful when listening to “experts” in the media as what they claim may not be accurate or applicable to your own personal circumstances.

International equity markets, both developed and non-developed, have been the source of the highest returns over the past quarter and for the one-year period ending June 30, 2017. Much of the credit can be given to a rebound from a softer-than-anticipated Brexit impact, and also by the recent French election of a non-separatist government thereby avoiding a potential Frexit situation. The tone of the European Central Bank has also improved with indications that easy money policies may begin to reverse, indicating a more stable and healthy European economy.

A little closer to home, there has been building speculation that the Bank of Canada will raise interest rates in their policy announcement on July 12. This speculation provides an explanation for the recent strength in the Canadian dollar and bond weakness. Based on recent employment and economic growth data, there is a reasonable case to justify a rate increase since we are currently at abnormally low levels, but based on the forward-looking outlook (especially given the recent slump in oil prices), and a less-than-desired inflation rate, we do not believe that an extended series of increases or return to “historic” rate levels will happen any time soon.

Market declines are never fun – nobody likes to see their account values go down, but occasional slumps can be constructive for the longer-term health of the markets helping to avoid the building of (and subsequent bursting of) bubbles. Furthermore, for those clients who have regular pre-authorized contributions set up on their accounts, they will benefit from purchasing securities at lower prices. If you are contemplating making changes to your investments, please be sure to speak to your Personal Portfolio Manager and make sure that you are getting a sound and rational professional opinion which will always be based on acting in your best interest!

Here is a recap of market performance as of June 30, 2017*

Asset Class	Market Index	Quarter	1 Year	3 Years	5 Years	10 Years
Fixed Income	FTSE TMX Canada Universe Bond	1.11%	0.02%	3.79%	3.29%	5.11%
Canadian Equity	S&P/TSX Capped Composite	-1.64	11.05	3.08	8.74	3.89
U.S. Equity	S&P 500 ($Cdn)	0.39	17.90	17.10	20.32	9.34
Int'l Equity	MSCI EAFE ($Cdn)	3.34	20.27	8.05	14.08	3.06

** Performance annualized for periods greater than 1 year*