Justwealth 1st Quarter 2019 Market Commentary

Patient investors were rewarded in the first quarter of 2019…..BIG TIME! The Canadian equity market was the top performing major index as the S&P/TSX Composite rose by 13.29% - its largest quarterly gain since 2009. In the United States, the S&P 500 also had a double-digit advance of 11.16%, while the MSCI EAFE gained 7.57%. The impressive equity returns tend to overshadow fixed income returns, but the FTSE TMX Canada Universe Bond also had an abnormally strong return of 3.91% - its largest quarterly gain since 2015. Just as we cautioned clients not to panic near the beginning of the year after equity markets had sold off sharply, we now caution everyone not to get too euphoric over big short-term gains in account market values.

Economic growth in Canada and the United States has clearly demonstrated deceleration over the past few quarters but remains positive. It would seem that the impact from tightening actions by central banks over the past few years has finally kicked in, as has the repercussions of highly publicized trade wars with the United States. Employment data however remains strong and inflation does not appear to be posing any imminent threats of overheating. For the bond market, this has left economists scrambling to ratchet down their expectations for future interest rate increases (proving that they were wrong….again), and longer-term interest rates have also fallen resulting in a very flat yield curve. The yield on the benchmark U.S. 10-year Treasury is currently hovering around 2.5% - the lowest level in more than a year. Lower interest rates are definitely good for bond prices, and usually good for equity prices too. Lower interest rates combined with reasonably good economic data has proven to be a very favourable environment for equity prices and helps to explain the sharp rebound from the equity market selloff in the fourth quarter of last year.

The latest federal budget contained some unpleasant news for investors in certain types of investments (including ETFs) which we would characterize as tax-efficient. Effectively, the government wishes to close what it considers to be a "loophole" which allows certain fund structures to avoid/defer taxes on investments held in non-registered accounts. It will likely take some time for any potential implications to be confirmed and fully understood, and it is not expected that there will be any impacts for the 2019 tax year. Justwealth will be proactively working with our ETF providers to ensure that we continue to provide innovative tax-efficient solutions for our clients with non-registered accounts.

If you have recently visited our performance page, you may have noticed that we now have 3-year performance data. That's right, Justwealth has now helped Canadians invest intelligently for more than 3 years and we have the performance results to prove it! As always, we are extremely grateful to our clients and supporters who have afforded us the privilege to serve you.

Here is a recap of market performance as of March 31, 2019*

Asset Class	Market Index	Quarter	1 Year	3 Years	5 Years	10 Years
Fixed Income	FTSE TMX Canada Universe Bond	3.91%	5.27%	2.70%	3.77%	4.41%
Canadian Equity	S&P/TSX Capped Composite	13.29	8.11	9.26	5.44	9.49
U.S. Equity	S&P 500 ($Cdn)	11.16	13.46	14.74	15.23	16.62
Int'l Equity	MSCI EAFE ($Cdn)	7.57	-0.23	8.43	6.31	9.61

** Performance annualized for periods greater than 1 year*