Justwealth 4Q 2019 Market Commentary

What a difference a year makes! After a disappointing year for markets in 2018, the final numbers for 2019 were stellar across all asset classes. The sharp selloff in equity markets that we witnessed in the fourth quarter of 2018 set the stage for a dramatic rebound, highlighting once again why panic selling is a terrible investment approach. U.S. equities continued to lead the advance by rising over 30% in U.S. dollar terms but gave up a little over 6% due to a depreciating currency resulting in a net gain of almost 25% in Canadian dollar terms. Canadian equities also performed above 20% for the year turning in its best annual performance since 2009. The MSCI EAFE index representing overseas developed markets gained more than 15%. Bonds had a good year despite a negative fourth quarter, returning just under 7% which is well above current yield levels.

Significant progress was made in the fourth quarter on two key geopolitical issues that have been overshadowing markets for some time: U.S./China trade relations and Brexit. The former issue has likely had the bigger impact on markets and it would be difficult to count the number of false starts that have happened since the dispute was initiated by the U.S. under the Trump administration. Although negotiations continue, the first phase of a deal between the two economic superpowers was announced in December and appears to have calmed investor fears. Also in December, Boris Johnson was re-elected in an early British election giving him and his Conservative Party a majority government and the ability to finally facilitate the planned withdrawal from the European Union. The referendum on Brexit occurred in 2016.

Looking forward to 2020, a few events that may impact markets would be an escalation in tension between Iran and the U.S., and a U.S. federal election slated for November. From an economic perspective, global growth seems stable with both Canada and the U.S. poised for above-average results. Central banks around the world are generally accommodative, and corporate earnings appear to be healthy. We don't make short-term predictions for market returns, but it would seem that a repeat of 2019 performance levels would be unlikely for 2020. Our longer-term annual expectations would be closer to 7% for equity, and 3% for diversified fixed income returns. These expectations are below historical rates of return, but we believe that they are realistic and reflective of the current investing environment.

The beginning of a new year is always a good time to review your personal finances: take advantage of your contribution room in TFSAs, RRSPs and RESPs; make sure that your investments are at a risk level that you are comfortable with; and if you have questions or concerns, please contact your Personal Portfolio Manager. Wishing you all the best for health and happiness in 2020!

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

Asset Class	Market Index	Quarter	1 Year	3 Years	5 Years	10 Years
Fixed Income	FTSE TMX Canada Universe Bond	-0.85%	6.87%	3.57%	3.18%	4.31%
Canadian Equity	S&P/TSX Capped Composite	3.17	22.88	6.89	6.28	6.90
U.S. Equity	S&P 500 ($Cdn)	6.83	24.84	13.99	14.25	16.00
Int'l Equity	MSCI EAFE ($Cdn)	5.94	15.85	8.34	8.08	7.77

** Performance annualized for periods greater than 1 year.*

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