

Equity Market Update

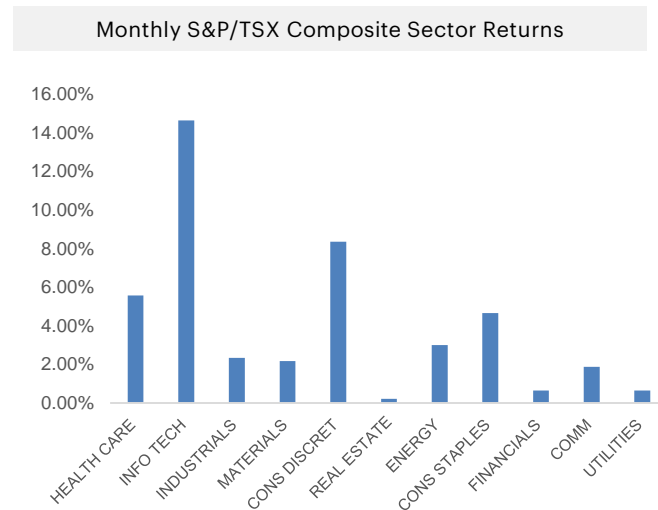
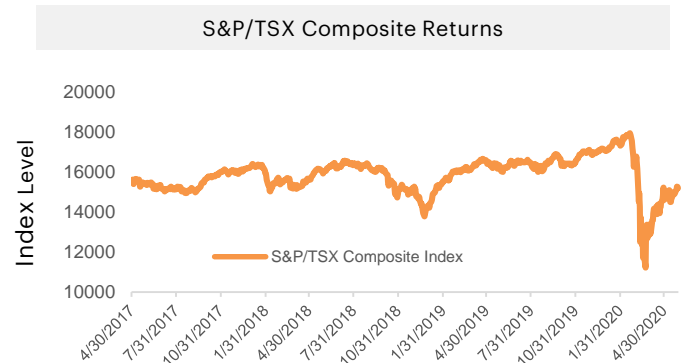
Canada

- **Canadian equities, as represented by the S&P/TSX Composite Total Return Index, returned 3.04% in May. Year-to-date the index has returned -9.70%.**
- Information Technology (14.64%), Consumer Discretionary (8.35%) and Health Care (5.57%) were the top three performing sectors. Conversely, Real Estate (0.20%), Utilities (0.64%) and Financials (0.65%) were the bottom three performing sectors.
- Equity markets were up again in May as economies around the globe continued their re-opening efforts after weeks of strict lockdown measures due to COVID-19. The price of crude oil rallied in May helping to boost Canadian equities. Second quarter earnings reported late in the month from the big Canadian banks were down considerably but were better than expected as a whole, even as they posted record loan loss provisions. In other news, Canadian home sales tumbled 56.8% in April from the previous month as the lockdown kept buyers away. The Canadian economy shrank by an annualized rate of 8.2% in the first quarter. Household consumption was the largest drag on GDP, as social distancing measures, job losses and shutdowns of businesses led to a historic decline in spending. However, there was also some positive news as the May CFIB small business barometer, a measure of small business confidence, climbed above 50 for the first time since February.

U.S.

- **U.S. equities, as represented by the S&P 500 Total Return Index (\$US), returned 4.76% in May. Year-to-date the index has returned -4.98%.**
- Information Technology (7.05%), Materials (6.98%) and Communication Services (6.01%) were the top three performing sectors. Conversely, Consumer Staples (1.51%), Energy (1.88%) and Real Estate (1.91%) were the bottom three performing sectors.
- The risk-on sentiment continued in May as investors remain optimistic about an economic recovery. However, the disconnect between Wall Street and Main Street continues. Sales at U.S. retailers sank a record 16.4% in April, worse than expected. The magnitude of the decline in sales was much larger than that experienced during the Great Financial Crisis. On a positive front, retail sales should begin to stabilize as much of the economy starts to reopen. Millions of Americans continue to file for unemployment benefits; however, at lower numbers—suggesting a rebound in the job market. The news has now shifted to increasing U.S. and China trade tensions. The U.S. government announced more restrictions on Chinese companies and threatened new sanctions over the passing of a controversial national security law, with China vowing to retaliate. Reports emerged that China halted some U.S. farm imports. The U.S.-China phase-one trade deal signed in January is still expected to go ahead.

	Canada	Level	MoM	YTD
S&P/TSX COMPOSITE INDEX		15,193	3.04%	-9.70%
S&P/TSX 60 INDEX		917	3.13%	-8.28%
S&P/TSX SMALLCAP INDEX		478	4.80%	-18.85%



Key Indicators	Level	Report Date
Real GDP (YoY %)	-5.8	31-Mar-20
Headline CPI (YoY %)	-0.2	30-Apr-20
Core CPI (YoY %)	1.2	30-Apr-20
Unemployment Rate (%)	13.7	31-May-20
Net Change Employment (000s)	289.6	31-May-20
Consumer Confidence	39.5	31-May-20
Retail Sales (YoY %)	-8.4	31-Mar-20
Housing Starts (000s)	166	30-Apr-20



International Markets

- **International equities, as represented by the MSCI EAFE Total Return Index (\$US), returned 4.41% for the month and -14.00% year-to-date.**
- International equities moved higher in May, largely spurred by fiscal stimulus packages in Europe and Japan. A 500 billion euro European Union (EU) recovery fund to help economies ravaged by the virus was promoted by Germany and France on May 19. Money would be borrowed by the European Commission on capital markets and distributed as grants to EU member states. This was later upsized to 750 billion euro on May 27. As a result, European stocks rallied. In Japan, Prime Minister Shinzo Abe increased stimulus measures by \$1.1 trillion (USD) to help struggling companies and support local economies. Japan is currently mired in a deep recession with some analysts forecasting GDP shrinking by more than 20% in the second quarter.

International	MoM	YTD	YTD C\$
DOW JONES INDEX	4.66%	-10.06%	-4.32%
S&P 500 INDEX	4.76%	-4.98%	1.09%
NASDAQ COMPOSITE INDEX	6.90%	6.28%	13.07%
RUSSELL 2000 INDEX	6.51%	-15.96%	-10.59%
DAX INDEX	6.68%	-12.55%	-8.48%
FTSE 100 INDEX	3.36%	-18.14%	-19.12%
NIKKEI 225 INDEX	8.35%	-6.60%	-0.26%
MSCI EAFE INDEX	4.41%	-14.00%	-8.50%
MSCI EM INDEX	0.79%	-15.89%	-10.52%
MSCI WORLD INDEX	4.89%	-7.95%	-2.06%

Source: All data from Bloomberg Finance L.P.
As of May 31, 2020.

Fixed Income Market Update

Benchmark Performance

- **Canadian Bonds, as represented by the FTSE Canada Universe Bond Index, returned 0.31% in May and 5.74% year-to-date.** Fixed income continued its positive momentum in May as fiscal stimulus measures across the globe and some positive developments on economies re-opening lifted markets in general. Bond spreads continue to decrease and there has been an uptick in corporate issuance in both Canada and U.S. Credit markets seem to have returned to normalcy, thanks again to the work of central banks.

Yields and Interest Rates

- The yield curve was largely unchanged in May, with a slight flattening at the lower end of the curve. Month-over-month, the Canadian 1-year and 2-year yields fell by 5 bps and 3 bps respectively. The Canadian 30-year yield decreased by 1 bps. The difference in yield between a 2-year and 30-year Government of Canada bond was 89 bps, 2 bps higher than the previous month.

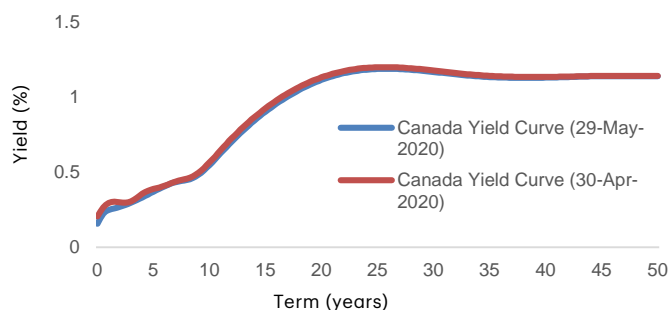
Provincial and Corporate Bonds

- At a broad level, Provincial bonds returned 0.22% for the month. The year-to-date return for Provincial bonds was 6.80%.
- Corporate bonds returned 0.60% in May, bringing the year-to-date performance of the segment to 2.76%.

Rates

Overnight	0.25%
Prime	2.45%
3 month CDOR	0.57%
3 month LIBOR (USD)	0.34%
Canada 10YR Bond	0.53%
U.S. 10YR Treasury	0.65%

Canadian Yield Curve



FTSE Canada Universe Bond Index

Corporate	0.60%	2.76%	YTD Performance	Monthly Performance
Municipal	0.23%	6.04%		
Provincial	0.22%	6.80%		
Federal	0.21%	6.99%		
Overall	0.31%	5.74%		

	Duration (Years)	Yield	Index Weight
Overall	8.22	1.46%	-
Federal	6.30	0.56%	34.13%
Provincial	10.90	1.57%	37.08%
Municipal	9.61	1.70%	2.11%
Corporate	6.86	2.44%	26.67%

Source: FTSE Global Debt Capital Markets.
As of May 31, 2020.



Glossary of Terms

MoM: Month over month

YTD: Year to Date

YoY: Year over year

CPI: Consumer Price Index

GDP: Gross Domestic Product

bps: Basis points

Russell 2000 Index: FTSE Russell Small-Cap Stock Market Index

DAX Index: Stock Market Index representing the 30 Major German companies trading on Frankfurt Stock Exchange.

FTSE 100 Index: Financial Times Stock Exchange 100 Index

NIKKEI 225: Stock Market Index for the Tokyo Stock Exchange.

MSCI ACWI: MSCI All Country World Index

MSCI EAFE: MSCI Europe, Australasia and Far East

MSCI EM: MSCI Emerging Markets

MSCI ACWI ex-US Index: MSCI All Country World Index excluding the U.S.

Provincial Bonds: Bonds that issued and backed by provincial government.

Corporate Bonds: Bonds that are issued by a corporation and backed by the payment ability of the company.

Credit quality/rating: Refers to a bond's credit worthiness or risk of default.

CDOR: Canadian Dollar Offered Rate, is the recognized financial benchmark in Canada for bankers' acceptances (BAs) with a term of maturity of one year or less. It is the rate at which banks are willing to lend to companies.

LIBOR: London Interbank Offered Rate, the interest rate at which banks offer to lend funds (wholesale money) to one another in the international interbank market.

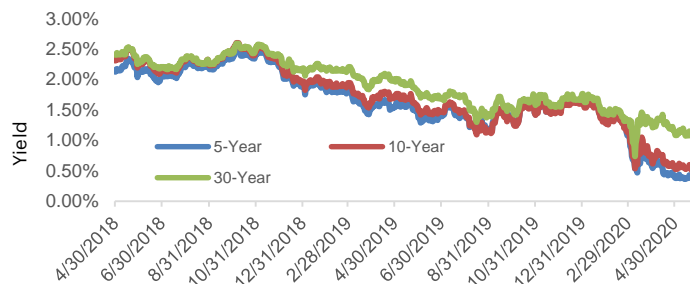
Duration: A method of estimating a bond's price volatility, expressed in terms of the weighted average term-to-maturity of all the bond's remaining cash flows - interest and principal.

Yield Curve: Graphical representation of the relationship between the yields and maturities of different bonds of similar quality, currency denomination and risk (usually government bonds).

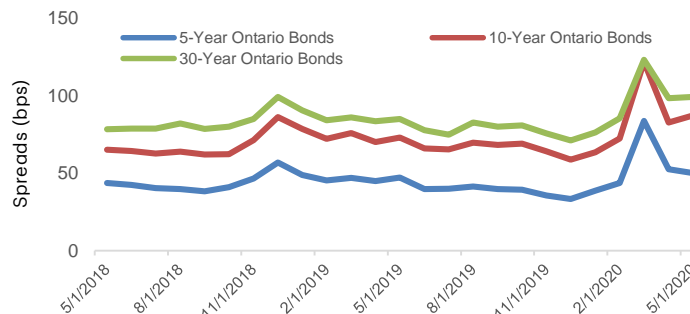
Bond Spreads: The difference between yields of bonds with similar quality and different maturities, or of different quality and the same maturity.

Real Return Bonds: Bonds that are issued by the Government of Canada that pay a rate of return that is adjusted for inflation.

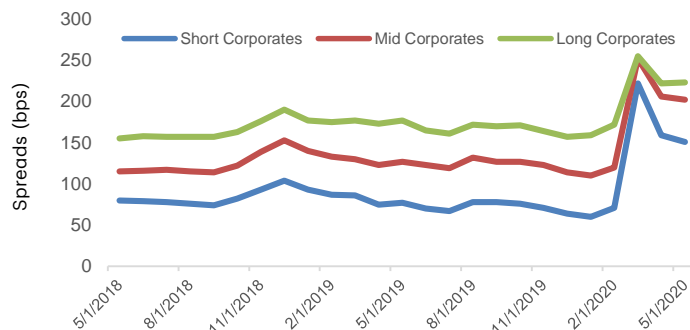
Government of Canada Interest Rate Trends



Provincial Spreads



Canadian Corporate Spreads



Source: FTSE Global Debt Capital Markets.
As of May 31, 2020

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