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Quarterly Newsletter

Q1 2015 Market Summary

In reviewing the first quarter of 2015, financial markets in Canada and around the world had mainly positive results, as factors such as the easy monetary policy in major developed economies and moderate global growth continued to support asset prices.

Continuing their slide that began in the fall of 2014, oil prices reached a six-year low of US$43.88 per barrel on March 17, and many other commodity prices also weakened through the quarter. While lower energy prices have boosted the purchasing power of businesses and consumers worldwide, they have had an adverse effect on Canadian energy producers, which has affected both our economy and the dollar. Citing a need to counteract the expected “negative impact” of lower oil prices, the Bank of Canada surprised investors with a 0.25% cut to its benchmark interest rate in January. Data later revealed that the Canadian economy had in fact contracted slightly in January, due to slower retail, manufacturing and construction activity.

U.S. economic output, meanwhile, remained encouraging throughout the quarter. The country’s gross domestic product grew 2.2% in the fourth quarter of 2014, while employment and housing data for early 2015 were also moderately positive. With the strengthening U.S. dollar presenting a challenge for the country’s exporters, the U.S. Federal Reserve left interest rates unchanged, but indicated that a rate increase could come later in the year.

Global investors affirmed their optimism for equities, with most indexes reporting gains and the MSCI World Index posting an increase of 2.5% in U.S. dollars (or 12% in Canadian dollars). Some of the strongest advances were achieved by stock markets in Europe and Japan, where central banks are using quantitative easing measures to boost liquidity and keep borrowing rates low. Germany’s DAX Index led the way with a 22% increase in local currency terms, while Japan’s Nikkei Index added over 10%. China’s Shanghai Index also posted strong results for the period, with a gain of about 16%.

Although North American equity markets were a bit more unsettled during the three-month period, they were also generally positive. The S&P 500 Index in the U.S. reached a new high during the quarter, although it finished with a muted gain of nearly 1%. This was magnified to an increase of more than 10% when converted to Canadian currency because of the dollar’s decline of 8.5% relative to its U.S. counterpart. Canada’s S&P/TSX Composite Index gained 2.6% for the quarter. Low inflationary trends and monetary policy that remained highly accommodative to growth helped to keep global bond yields low. The FTSE TMX Canada Universe Bond Index, a measure of Canadian government and investment-grade corporate bonds, returned 4.2% for the three-month period.

This quarter marked the sixth anniversary of the bull market that began in March 2009. Since that time, the S&P 500 Index has gained more than 200%, while the Canadian stock market is up more than 100%. The world continues to recover from the financial crisis of 2008-09, and the world economic outlook remains on the positive side. The Organization for Economic Co-operation and Development recently raised its global growth estimates to 4.0% for 2015 and to 4.3% for 2016.

While the current investing environment is generally favourable, we continue to believe it is important to take a long-term approach to equities, and to invest in a portfolio that is well diversified among asset classes, geographies and sectors, depending on an individuals investment objectives.

Want more information? Call us at 1.888.824.4351 today to schedule your one-on-one consultation.

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