

Q3 2016 Market Summary



The third quarter of 2016 started on a note of uncertainty following the surprise Brexit vote result in late June. Equity markets had been volatile and bond prices rose and yields declined after the British vote to leave the European Union. Markets soon steadied, however, and volatility moderated through the quarter. By the end of September, most asset classes, supported by slow, steady global growth and expansive monetary policy, had gone on to register gains for the three-month period.

Global equity markets bounced back early in the third quarter and finished mainly higher. The S&P 500 Index in the U.S. added 3.9%, while the MSCI World Index was up 5.0% in U.S. dollar terms. With the U.S. dollar strengthening during the period, these returns grew to 5.4% and 6.6%, respectively, in Canadian dollar terms. Overseas, markets in Germany, the U.K. and France trended higher, as did indexes in China, Japan and Hong Kong.

The benchmark Canadian S&P/TSX Composite Index gained a healthy 5.5% (including dividends) in the third quarter. Energy-related companies benefited from a rally in oil prices and the market was also buoyed by strength in the financial sector. With a year-to-date return of 15.8%, Canada's market, after lagging the U.S. market for the past five years, is among the best performers globally.

Although it is still expected to raise interest rates before the end of the year, the U.S. Federal Reserve left rates unchanged at 0.50% during the quarter, opting to wait for evidence of continued progress in the areas of employment and inflation. The Bank of Canada also kept its overnight lending rate unchanged at 0.50%, where it has been since mid-2015. Central banks in Europe and Japan, meanwhile, continued programs designed to boost economic activity. The European Central Bank's strategy of buying corporate and government bonds, for example, has resulted in bond yields in some countries, such as Germany and France, falling below zero. The FTSE TMX Canada Universe Bond Index, a measure of corporate and government bonds, returned 1.2% for the quarter, and was up 5.3% for the year-to-date.

Looking ahead, there are a number of reasons to remain cautiously optimistic about the global economy and markets. A recent report by the International Monetary Fund in Washington, for example, forecasts a continuation of subdued global growth, and that central banks will keep monetary policy accommodative in order to stimulate business activity. However, volatility may reappear as markets contend with the results of the U.S. election, the continued fallout from the Brexit process and a potential Fed rate increase.

In the meantime, we remain focused on helping you create an investment portfolio that is best suited to your long-term goals and outlook, based on your unique circumstances and risk tolerance. Should you have any questions about your investments, please do not hesitate to contact our office.



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

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