

Q2 2018 Market Summary



Following a particularly volatile start to the year in the first quarter, many global equity markets delivered somewhat steadier returns in the second quarter. Here is a brief summary of how some of the major markets and asset classes performed during the period:

Global equities

- Results for major developed markets were encouraging. The MSCI World Index finished the period with a gain of 1.9% in U.S. dollar terms, while the S&P 500 Index, a broad measure of U.S. stocks, rose about 3.4%.
- Overseas results varied, with gains for equity indexes in England, France and Japan offset by losses in Germany and several Asian markets.
- Emerging markets exhibited the largest drawdowns, with the MSCI Emerging Markets Index losing 7.9% for the three months in U.S. dollars.
- Canada's S&P/TSX Composite Index performed well, registering a broad-based advance of 6.8% for the quarter. Stronger oil prices buoyed energy shares, and the health care, information technology and financial sectors all added to performance. The Canadian benchmark has gained nearly 2% for the year-to-date.
- The Canadian dollar declined in value relative to the U.S. dollar over the quarter, enhancing returns for Canadian investors with assets priced in U.S. currency. The MSCI World Index, for example, returned 4.1% for the quarter when expressed in Canadian dollars, the S&P 500's gain was 5.6% and the loss for the MSCI Emerging Markets Index was reduced to 5.9%.

Bonds and interest rates

- The U.S. Federal Reserve raised its target interest rate range by a quarter of a percentage point for the second time this year at its June meeting, pointing to the continued strength of the labour market and solid economic activity.
- Economic data for Canada were also strong, but the Bank of Canada opted to hold rates steady through the second quarter, indicating that further increases would likely come later in the year.



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

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- Ten-year government bond yields in the U.S. and Canada reached a peak for the second quarter in mid-May before declining and finishing the period slightly up. The FTSE TMX Universe Bond Index, which measures Canadian government and corporate bond returns, gained 0.5% for the quarter.

Market themes

- Equity prices in many industries and regions continue to be supported by healthy corporate earnings, relatively low interest rates and strong economic signals. However, challenges in the form of gradually rising short-term rates and inflation, as well as rising global trade tensions, are causing uncertainty in some areas of the market.
- In this type of environment, the value of strong active portfolio management becomes especially important, as professional portfolio managers have the knowledge and experience to navigate through challenging market conditions.



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