

### Q3 2018 Market Summary



During a period characterized largely by trade uncertainty, global asset markets delivered mixed results for the third quarter of 2018, with the U.S. equity market reaching new highs and outpacing many of its global counterparts.

U.S. equities posted strong results, supported by positive economic data, healthy corporate earnings and favourable business conditions that included corporate tax cuts.

The S&P 500 Index, a broad measure of U.S. equities, gained 7.7% for the quarter and was up 10.6% for the year-to-date in U.S. dollar terms. Although the Canadian dollar has lost ground relative to its U.S. counterpart over the course of the year, it strengthened moderately in the most recent three-month period, resulting in a 5.9% quarterly return for the index in Canadian dollars and 14.1% for the year-to-date.

The MSCI World Index, which represents large and mid-cap equity performance across 23 developed market countries, also posted positive results for the period, gaining 5.1% for the quarter and 5.9% for the year-to-date in U.S. dollars. However, much of the gains for the global index resulted from the outperformance of U.S. stocks, as several local markets in Europe and Asia posted moderate losses for the quarter. Emerging markets also continued to sell off on rising interest rate concerns, as they have since early in the year.

The Canadian S&P/TSX Composite Index dipped slightly, losing 0.6% for the quarter, but the benchmark remained up about 1.4% for the year-to-date. The Canadian market's muted performance for 2018 resulted from weakness in the energy and materials sectors, the uncertainty of trade talks with the U.S. and a slight decline in the value of the Canadian dollar versus the U.S. dollar.

Interest rates continued to move upwards over the quarter. The Bank of Canada left its benchmark interest rate steady at 1.5% in September following a 25-basis point hike in July. The U.S. Federal Reserve, meanwhile, responded to the labour market's strength and the continued growth of economic activity by raising its target rate to 2% to 2.25%, its highest level since April 2008. Ten-year government bond yields in Canada and the U.S. rose throughout the period, with the FTSE Canada Universe Bond Index, which measures government and corporate bonds in Canada, returning -1.0% for the third quarter and about -0.4% for the year-to-date.

Despite short-term volatility that resurfaced in the early days of the fourth quarter, equity markets around the world have made a strong recovery in the more than 10 years since the global financial crisis, and in August the current bull market became, by some measures, the longest in history. Though the economic cycle is entering its later stages, business conditions in many regions remain constructive, and it is impossible to predict when the next downturn will occur. Some studies, in fact, have shown that attempting to "time the market" by selling your investments before a



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downturn can be counterproductive, as investors often miss out on significant market gains after they have cashed out. Rather, having a personalized long-term investment plan that reflects your objectives – and staying true to that plan through market highs and lows – typically yields better results.

In closing, we would like to thank you for your business and remind you that our team is here to help. If you have any questions about your portfolio, please feel free to contact our office.



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