



iA Wealth Monthly Market Snapshot

Monthly Overview

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Product Research & Oversight Team

JAMES GAUTHIER, CFA

EDMUND FERNANDEZ,
CFA, CIM, CAIA

Investor appetite for risk continued in the second quarter as vaccinations ramped up around the world. While the spread of the delta variant has slowed the reopening in some countries, most developed economies have seen a rebound in economic activity, with governments easing COVID-19 lockdown restrictions. The economic reopening and better-than-expected economic data during Q2 vaulted various equity benchmarks to new record highs to close out the quarter.

Canada's benchmark S&P/TSX Composite Index was 2.2% higher in June, leading to a 7.8% improvement for the index in Q2. All but two of the benchmark's underlying sectors were positive during the quarter, led by the information technology, energy and materials sectors, with respective gains of 23.0%, 12.6% and 9.9%. Financials also had a solid quarter, sporting a 7.6% return. Health care and industrials were the only sectors in the red in Q2, with losses of 11.7% and 0.1%, respectively. Small-cap stocks, as measured by the S&P/TSX Small Cap Index, climbed 8.7% for the quarter.

The Canadian dollar was 1.3% higher versus the greenback in Q2, dampening returns from foreign equity markets for Canadian investors. Note that all returns in this paragraph are in Canadian dollar terms. U.S.-based stocks, as measured by the S&P 500 Index, advanced 4.9% in June, and finished the quarter up 4.9%. The benchmark's top-performing sectors for the quarter were real estate, information technology and telecom services, with respective gains of 10.8%, 9.8% and 9.0%. Utilities was the lone sector in the red in Q2 with a loss of 2.4%. International stocks, as measured by the MSCI EAFE Index, improved by 3.0% during the quarter, while emerging markets added 3.1%.

The investment grade fixed income indices we follow were higher in the second quarter. Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, added 1.7% in Q2, while the key global investment grade bond benchmark increased by 1.3%. Global high-yield issues advanced 2.4%.

Commodities across the board posted positive returns in the second quarter. The price of a barrel of crude oil rose 24.2% in Q2, while natural gas jumped 40%. Gold and silver produced returns of 3.4% and 6.7%, respectively, for the quarter.

Canadian gross domestic product slipped 0.3% month-over-month in April. Inflation in Canada picked up in May, as Canadian consumer prices rose 3.6% year-over-year. Retail sales in Canada decreased 5.7% month-over-month in April. Canadian employment decreased by 68,000 in May, as the nation's unemployment rate rose to 8.2%. The Bank of Canada left its key interest rate unchanged at 0.25% at its June meeting and said it will not raise rates until damage from the COVID-19 pandemic is fully repaired.

U.S. nonfarm payrolls increased by 850,000 in June, as the unemployment rate reached 5.9%. The consumer price index rose 0.6% month-over-month in May, while the annual inflation figure climbed 5.0% from a year earlier. U.S. retail sales fell 1.3% in May. The Federal Reserve kept its policy rate unchanged at its June meeting and released forecasts that see two interest rate increases by the end of 2023, along with upgraded estimates for inflation for the next three years.

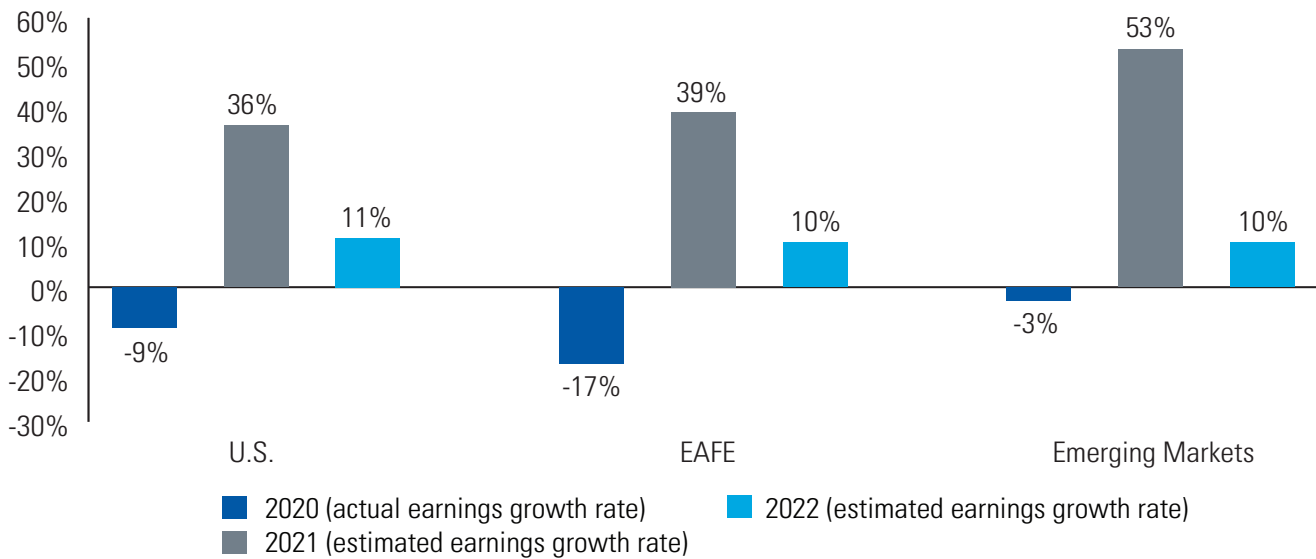
Content sourced from Bloomberg; data as at June 30, 2021.



Monthly Market Statistics

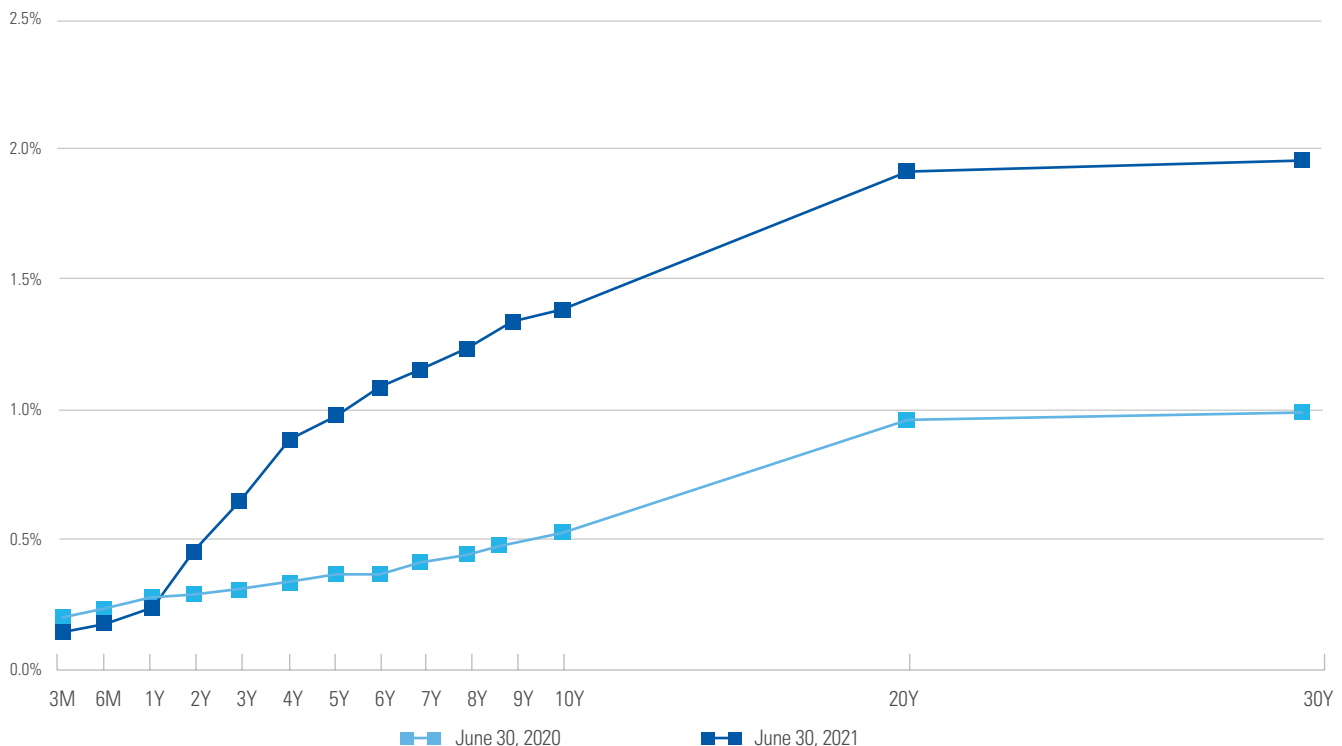
Earnings growth estimates this year are elevated across the globe as the surge in COVID-19 vaccinations has brought forth the expectation of faster reopenings and economic growth. In addition, a pretty low earnings bar was set last year. Earnings in the U.S. are forecast to expand by 36%, but growth expectations for the EAFE region (most developed markets outside of North America) are 39%. They are higher still for emerging markets, coming in at a whopping 53%. The latter two regions are more cyclical in nature than the U.S. economy and that should help corporate earnings accelerate a bit faster than they are expected to in the U.S. as economies around the globe reopen.

Chart of the Month: Emerging markets lead the way



Source: Yardeni Research Inc., Thomson Reuters I/B/E/S.

Canadian Sovereign Yield Curve



Source: Bloomberg.



Monthly Market Statistics

Data to June 30, 2021, unless otherwise indicated

Table 1: Equity Index Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
S&P/TSX Composite	2.2	7.8	15.7	15.7	30.0	7.4	7.5	17.4
S&P/TSX 60	2.5	8.2	16.9	16.9	29.4	7.8	8.1	16.3
S&P/TSX Small Cap	0.3	8.7	18.7	18.7	54.6	6.6	4.8	29.3
S&P 500	4.9	6.8	11.2	11.2	26.3	14.3	14.4	18.7
MSCI EAFE	1.5	3.0	4.3	4.3	18.0	3.6	6.5	18.0
MSCI World	4.3	5.9	9.0	9.0	24.9	10.9	11.8	18.5
MSCI World Small Cap	2.9	3.2	10.9	10.9	37.6	8.4	11.7	23.4
MSCI Europe	1.2	4.9	7.0	7.0	20.2	3.9	6.6	19.4
MSCI EM	2.7	3.1	3.5	3.5	25.9	6.7	9.5	19.0
MSCI AC Asia	2.3	0.8	1.1	1.1	20.0	5.7	9.1	16.2

Source: Bloomberg.

Table 2: Fixed-Income Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
FTSE Canada Universe Bond	1.0	1.7	-3.5	-3.5	-2.4	4.2	2.6	4.7
Barclays Global Agg	-0.9	1.3	-3.2	-3.2	2.6	4.2	2.3	4.5
Barclays High Yield Very Liquid Index	1.2	2.4	3.0	3.0	14.1	7.0	6.8	9.3

Source: Bloomberg.

Table 3: Commodity Prices (Prices and Returns in USD)

Commodity	06/30/2021 Price (\$)	MoM Change (%)	YoY Change (%)	3 Mo (%)
WTI Crude Oil/BBL	73.47	10.8	87.1	24.2
Natural Gas/mmBTU	3.65	22.2	108.5	40.0
Copper/pound	4.30	-8.1	58.3	7.5
Silver/oz	26.17	-6.6	41.1	6.7
Gold/oz	1771.60	-6.9	-1.6	3.4

Source: Bloomberg.

Table 5: One-Month Sector Returns (% in CAD)

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	0.0	6.5
Consumer Staples	1.2	2.1
Energy	5.8	7.3
Financials	0.5	-0.5
Health Care	0.8	4.9
Industrials	0.0	0.3
Info Tech	18.2	9.8
Materials	-6.4	-3.0
Real Estate	3.9	5.5
Telecom Services	2.7	5.4
Utilities	2.0	0.2

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP - Q1 (q/q ann. % change)	5.6
Consumer Prices May (y/y % change)	3.6
Unemployment Rate, May '21	8.2
United States	
Real GDP - Q1 (q/q ann. % change)	6.4
Consumer Price May (y/y % change)	5.0
Unemployment Rate, June '21	5.9

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	06/30/2021	6 Mos Ago	1 Yr Ago
USD/CAD	1.24	1.27	1.36
EUR/CAD	1.47	1.55	1.53
GBP/CAD	1.71	1.74	1.68
CAD/JPY	89.61	81.13	79.50

Source: Bloomberg.

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