

June in Review

Equities rallied in June, continuing the year-to-date trend. During the month, Canadian equities gained 2.52%, led higher by the materials, consumer discretionary, and health care sectors. U.S. equities were up 7.05%, led by the materials, energy, and information technology sectors. Canadian bonds performed well, up 0.91% in the month. Commodities had very strong performance in June. Oil climbed significantly, with WTI crude oil up 9.00% as geopolitical tensions increased in the Middle East, and is up 22.84% year-to-date. Gold gained an impressive 7.83% based on the expectation of continued central bank dovishness, and as a hedge against uncertainty. Copper gained 2.75% in June, taking the year-to-date performance to positive territory after weakness earlier in the year. Natural gas continued to be volatile, down 6.18% for the month. June saw continuing confirmation of a weakening global economy, along with growing confidence that central banks around the world will be providing lower interest rates to offset slowing economic growth.

Here are some of June's most notable headlines:

IMF downgrades China's GDP growth forecast. The International Monetary Fund lowered its forecasts for economic growth in China, adding that the trade war with the U.S. is tilting the balance of risks

to the downside. The new forecast is projecting GDP growth of 6.2% this year, and 6.0% next year, a 10th of a percentage point lower than the previous forecast for both years. The economy showed an across-the-board slowdown in April, which the IMF expects to continue into the coming months. President Xi Jinping said that output is stabilizing and has improved noticeably, in an effort to talk up the strength and resilience of the economy.

The U.S. Federal Reserve signals dovish shift in sentiment. During June the U.S. Federal Reserve (The Fed) left its benchmark interest rate unchanged, but signaled a more dovish shift in sentiment since its last policy meeting. Fed Chairman Jerome Powell said the case for lower rates is building, and signaled that rate cuts could begin as early as July. The baseline economic outlook remains "favorable," according to Powell, but risks continue to rise, including the negative impact of rising trade tensions and signs that economic growth is slowing overseas. Stocks rallied on the news

Tensions escalate between U.S. and Iran. Iran's Revolutionary Guard shot down a U.S. surveillance drone in the Strait of Hormuz. The two countries dispute the circumstances leading up to the event, but tensions between them have been further elevated. While Iran claimed the drone violated its territorial airspace, the U.S. called the missile fire "an unprovoked attack" in international airspace. President Trump approved military strikes against Iran, but called them off at the last minute. The tension between the countries is rooted in the withdrawal by the U.S. from Iran's 2015 nuclear deal, and the imposition of crippling new sanctions on Tehran.

Did you know?

Effective January 1, 2021, the Government of Canada will be removing the legal tender status of certain bank notes that are no longer being produced – the \$1, \$2, \$25, \$500 and \$1,000 notes – to remove them from circulation. The \$1 and \$2 notes stopped being issued in 1989 and 1996, respectively. The \$25 note was issued on May 6, 1935 commemorating the silver jubilee of King George V. Both the \$25 and \$500 were discontinued shortly after they were issued in 1935. The \$1,000 stopped being issued in 2000. The central bank supports this move as it "helps ensure that the bank notes used by Canadians are current, in good condition, easy to use and difficult to counterfeit."

Sources: Bank of Canada Museum, Bank of Canada

INDEX [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.13	0.82	1.58	164
Bonds (FTSE Canada Universe Bond)	0.91	6.52	7.24	1120
Canadian Equities (S&P/TSX Composite)	2.52	16.19	4.53	16,382
U.S. Equities (S&P 500, US\$)	7.05	18.54	10.50	2,942
Global Equities (MSCI World, US\$)	6.63	17.39	7.48	2,178
Emerging Markets (MSCI Emerging Markets, US\$)	6.28	10.69	3.76	1,055

CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	3.23	4.16	1.19	0.76
C\$/Euro	1.39	5.02	2.96	0.67
C\$/Pound	2.70	4.70	4.25	0.60
C\$/Yen	2.74	2.37	-1.29	82.32

COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	7.83	8.73	9.83	1,413.70
Oil WTI (\$/barrel)	9.00	22.84	-9.66	58.47
Natural Gas (\$/MMBtu)	-6.18	-16.29	-14.74	2.31

[†]Total Return, as at June 28, 2019. Indices are quoted in their local currency.
Source: Bloomberg

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