

July in Review

The equities rally story of the past few months continued into July. While Q2/20 economic data looked very poor, a variety of data points for May, June, and July were released in July that suggest the economy has started rebounding from the worst effects of the COVID-19 shutdowns. There was broad strength across most major stock indices in July. The MSCI Emerging Markets, MSCI World, and MSCI EAFE were up 9.01%, 4.82%, and 2.36%, respectively. U.S. equities advanced, with the S&P 500 up 5.64%, and the Dow Jones Industrial Average up 2.51%. U.S. small cap stocks continued to perform well, with the Russell 2000 up 2.77%. In Canada, the S&P/TSX Composite increased by 4.48%, continuing to benefit from robust commodities performance, as gold gained 9.09%, copper advanced 5.11%, and WTI crude oil gained 2.36%. Canada was led higher by the Materials, Consumer Staples, and Information Technology sectors, up 13.14%, 6.27%, and 6.10%, respectively. Bonds continued to perform well in July, with the FTSE Canadian index up 1.27%.

Here are some of July's most notable headlines:

U.S. GDP records largest quarterly decline on record in Q2/20. The Bureau of Economic Analysis reported that Q2/20 U.S. real GDP decreased by 32.9%, annualized. This was slightly better than expectations of 34.7%, but the largest quarterly decline since records began in 1947. After declining significantly in March and April, the economy began to rebound in May and June. Due to the unusual circumstances involved in the pandemic-related shutdown, economists are expecting a large bounce back in Q3 GDP, as many businesses have now reopened. Consensus expectations are currently expecting quarterly growth of 18% in Q3.

Jobs growth has been encouraging, although jobless claims remain high.

After the U.S. suffered an incredible 20 million job losses in April, subsequent months have shown strong job gains, as the economy began to reopen after COVID-19 shutdowns. U.S. nonfarm payrolls increased by 4.8 million jobs in June, the highest monthly jobs gain since the government began keeping records in 1939, following gains of 2.7 million jobs in May. While a significant gap remains to return to pre-COVID-19 levels of employment, economists are encouraged that the rebound has begun.

Strong retail sales reported in both U.S. and Canada. U.S. June retail sales were surprisingly strong in June, up 7.5% from the previous month, compared to expectations of 5%. This follows strong retail sales in May, which were up 18.2%. These strong results come as more businesses have reopened and domestic trade continues to recover. Canadian May retail sales showed a rebound, with sales up almost \$42 billion or 18.7 percent from April's record low according to Statistics Canada. Sales in 10 of the 11 sub-sectors that Statistics Canada tracks were higher during May, after the economy started to gradually reopen following the complete lockdown in March and April.

Did you know?

A recent survey by Statistics Canada looked at the impact of COVID-19 on Canadian families and children. Some of the key findings of this study include:

Percentage of participants who said that their children engaged in selected activities at home

- Screen time: 89%
- Reading books: 62%
- Physical activities: 61%

Percentage of participants who were very or extremely concerned about their children's

- Opportunities to socialize with friends: 71%
- Amount of screen time: 64%
- Loneliness or isolation: 54%

Percentage of participants who were very or extremely concerned for their families in terms of

- Balancing child care, schooling and work: 74%
- Managing their child's or children's stress levels, anxiety and emotions: 61%
- Staying connected with family or friends: 43%

Source: Statistics Canada

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.02	0.67	1.37	166.02
Bonds (FTSE Canada Universe Bond)	1.27	8.89	9.06	1,223.59
Canadian Equities (S&P/TSX Composite)	4.48	-3.32	1.86	16,169.21
U.S. Equities (S&P 500, US\$)	5.64	2.38	11.94	3,271.12
Global Equities (MSCI World, US\$)	4.82	-0.91	7.85	2,304.98
Emerging Markets (MSCI Emerging Markets, US\$)	9.01	-1.53	6.89	1,078.92

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.22	-3.14	-1.64	0.75
C\$/Euro	-3.45	-7.79	-7.50	0.63
C\$/Pound	-4.07	-1.88	-8.61	0.57
C\$/Yen	-0.72	-5.61	-4.30	78.94

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	9.09	28.07	35.44	1,985.90
Oil WTI (\$/barrel)	2.36	-30.29	-27.97	40.27
Natural Gas (\$/MMBtu)	0.56	-22.15	-25.94	1.80

† Total Return, as at July 31, 2020. Indices are quoted in their local currency. Source: Bloomberg

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