

December in Review

Equities had very strong performance in December, continuing the impressive returns throughout 2019. Global stocks led the market higher, with the MSCI EM, MSCI EAFE, and MSCI World Indices achieving the highest returns, up 7.35%, 3.27%, and 3.04%, respectively. U.S. equities moved higher, with the S&P 500 Index up 3.01%. U.S. stocks were led higher by Energy, Information Technology, and Health Care. Canadian stocks were up 0.45%, led by the Energy, Materials, and Information Technology sectors. The announcement of a Phase One trade agreement was viewed as important progress between the U.S. and China, while the U.K. election seems to provide a path forward on Brexit. Both of these issues were the source of a significant overhang on markets. Canadian bonds were generally lower in December, down 1.19%. Commodities were generally higher on the back of the progress in talks between the U.S. and China. WTI crude oil increased by 10.74% in the month, while copper gained 5.09% and gold moved up by 3.42%. Natural gas declined by 3.23%.

Here are some of December's most notable headlines:

The Japanese government approved a ¥26 trillion stimulus package.

Prime Minister Shinzo Abe's Cabinet approved an economic stimulus package to support the economy and build infrastructure to cope with big natural disasters. Including private-sector and other spending, the package comes to around ¥26 trillion (U.S. \$239 billion). This is part of an effort to support a slowing domestic economy that is dealing with tepid global growth and the impact of a recent tax hike. The package is focused on measures to impact consumer spending, in addition to spending on public works.

Boris Johnson's Conservatives won a comfortable majority in the U.K. election.

The election paves the way for Johnson to proceed with Brexit, which has a deadline of January 31, 2020. Johnson's Brexit Withdrawal Agreement Bill was backed by MPs, clearing the way to proceed. Johnson will need to negotiate a new deal with the EU during a transition period. The Prime Minister has said the UK will fully exit the EU by December 2020 and the new deal will come into force in 2021. However, there is still uncertainty about how that deal will look.

U.S.-China reached an agreement on Phase One of trade deal. While final details have yet to be announced, the U.S. has reportedly offered to suspend some tariffs on Chinese imports and cut others, in exchange for Beijing's buying more American farm goods and strengthening intellectual property protections. A new round of tariff increases had been scheduled for implementation on December 15. U.S. President Trump said that Phase One of the deal would be signed on January 15 at the White House. Equities moved higher on the news, although investors are likely to more fully embrace the news after a detailed text of the agreement is released.

Did you know?

Based on a Scotiabank survey, 25% of Canadians are planning on using personal employer-sponsored pension plans as their primary source of retirement funds. A further 24% plan on using personal savings held in RRSP/RRIF, 19% intend to use government pension programs, while 11% plan on using personal savings held outside RRSP/RRIF as their primary funding source. Canadians often look forward to retirement, with 26% expecting to retire between the ages of 65 to 69, 16% between the ages of 60 and 64, and 10% between the ages of 55 to 59. The survey indicated that those planning retirement have a variety of priorities. Keeping healthy and maintaining a healthy lifestyle is a top priority for 25% of respondents, while 24% identified maintaining a comfortable lifestyle as a priority. A further 15% suggested that travelling was their top priority in retirement. Planning for retirement can be an overwhelming task. A Scotiabank Advisor can make the process easier for customers by helping to customize the right retirement plan.

Source: Scotiabank-Global Brand and Customer Insights, Investment Poll, January 2019

INDEX†	1Mth	Change (%) YTD	1Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.14	1.67	1.67	165
Bonds (FTSE Canada Universe Bond)	-1.19	6.87	6.87	1124
Canadian Equities (S&P/TSX Composite)	0.45	22.84	22.84	17,063
U.S. Equities (S&P 500, US\$)	3.01	31.48	31.48	3,231
Global Equities (MSCI World, US\$)	3.04	28.44	28.44	2,358
Emerging Markets (MSCI Emerging Markets, US\$)	7.35	18.63	18.63	1115

CURRENCIES†	1Mth	Change (%) YTD	1Yr	Exchange Rate
C\$/US\$	2.23	4.99	4.99	0.77
C\$/Euro	0.47	7.37	7.37	0.68
C\$/Pound	-0.27	1.06	1.06	0.58
C\$/Yen	1.45	4.00	4.00	83.63

COMMODITIES (US\$)†	1Mth	Change (%) YTD	1Yr	Price
Gold Spot (\$/oz)	3.42	15.52	15.52	1,523.10
Oil WTI (\$/barrel)	10.74	25.59	25.59	61.06
Natural Gas (\$/MMBtu)	-3.23	-26.98	-26.98	2.19

†Total Return, as at December 31, 2019. Indices are quoted in their local currency.
Source: Bloomberg

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