

June in Review

Following strong gains in April and May, equities continued to climb higher in June. Despite the current weakness in the global economy, investors found optimism amid signs that the worst may be behind us. Positive economic reports suggest an economic recovery may be taking shape sooner than had been anticipated. Although there was broad strength in equities, the move higher was led by global stocks. The MSCI Emerging Markets, MSCI EAFE, and MSCI Europe were up 7.36%, 3.45%, and 3.14%, respectively. U.S. equities moved higher, with the S&P 500 up 1.99%, and the Dow Jones Industrial Average up 1.82%. U.S. small caps performed especially well again this month, with the Russell 2000 climbing 3.53%. In Canada, the S&P/TSX Composite increased by 2.46%, benefitting from a continuing rally in copper, WTI crude oil, and gold. Canada was led higher by the Information Technology, Materials, and Financials sectors, which gained an impressive 13.53%, 4.53%, and 3.69%, respectively. Bonds continued to climb in June, with the FTSE Canadian index up 1.69%.

Here are some of June's most notable headlines:

Low interest rates appear to be here to stay. The U.S. Federal Reserve (The Fed) indicated it would likely not raise rates until at least 2022. Fed officials expect U.S. real GDP to contract by 6.5% in 2020, before growing by 5.0% in 2021. They believe the unemployment rate will be 5.5% by the end of 2022. This policy update and outlook is a reminder that while equities markets have rebounded sharply from the lows in March, the underlying economy has a long road to full recovery. The Fed's outlook is in line with forecasts from other organizations, such as the International Monetary Fund (IMF).

Economic reports show the economy may have begun recovering. Amid pessimistic expectations, a series of reports showed better-than-expected economic performance in May and June. A U.S. report showed non-farm payrolls increasing by 2.5 million jobs in May, while in Canada, a May report showed 290,000 jobs were added; far better than expectations. A U.S. retail sales report showed May numbers up 17.7% from the previous month. Meanwhile, in China the Caixin/Markit services Purchasing Managers' Index was 55.0 in May, up from 44.4 in April. The return to expansion was driven by a sharp rise in domestic new business, although export orders fell for the fourth month in a row.

The rise of COVID-19 infections threatens the economic recovery. There have been a variety of promising data points that suggest the beginning of a rebound after the economic collapse in April. However, this recovery is threatened by the dramatic rise in COVID-19 infections across the southern United States, and continued infections in hot spots around the world. Rising case numbers have heightened concerns that the pace of the economic recovery may be disrupted or that lockdown restrictions may have to be re-imposed.

Did you know?

We often talk about business news from other countries, but how much does that matter to the global economy? It's useful to put these things in context by understanding how big each country's economy is relative to the rest of the world. The top ten countries make up about 68% of global GDP, which was approximately \$86 trillion in 2019. The top ten, with nominal U.S. dollar GDP are:

1. United States – \$21.44 trillion
2. China – \$14.14 trillion
3. Japan – \$5.15 trillion
4. Germany – \$3.86 trillion
5. India – \$2.94 trillion
6. United Kingdom – \$2.83 trillion
7. France – \$2.71 trillion
8. Italy – \$1.99 trillion
9. Brazil – \$1.85 trillion
10. Canada – \$1.73 trillion

Source: IMF's World Economic Outlook Database, October 2019

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.01	0.65	1.50	166
Bonds (FTSE Canada Universe Bond)	1.69	7.53	7.88	1208
Canadian Equities (S&P/TSX Composite)	2.46	-7.47	-2.18	15,515
U.S. Equities (S&P 500, US\$)	1.99	-3.09	7.49	3,100
Global Equities (MSCI World, US\$)	2.69	-5.47	3.43	2,202
Emerging Markets (MSCI Emerging Markets, US\$)	7.36	-9.70	-3.11	995

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.47	-4.31	-3.55	0.74
C\$/Euro	0.26	-4.50	-2.37	0.66
C\$/Pound	0.99	2.29	-1.26	0.59
C\$/Yen	1.66	-4.93	-3.42	79.50

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	2.79	16.87	24.97	1,800.50
Oil WTI (\$/barrel)	9.57	-32.65	-29.57	39.27
Natural Gas (\$/MMBtu)	-9.74	-24.49	-29.57	1.75

†Total Return, as at June 30, 2020. Indices are quoted in their local currency. Source: Bloomberg

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