MONTHLY

InvestmentMonitor

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May in Review

After plummeting in March and rallying in April, equities continued to climb in May. Looking past the current weakened state of the global economy, investors focused on massive amounts of government stimulus spending, moderating COVID-19 infection rates in some regions, and a partial reopening of economies in some jurisdictions. Amid broad strength, U.S. equities moved higher, with the S&P 500 up 4.76%, and the Dow Jones Industrial Average up 4.66%. U.S. small caps performed especially well, with the Russell 2000 climbing an impressive 6.51%. Global also stocks performed well, with the MSCI World Index rising 4.89% in the month. In Canada, the S&P/TSX Composite increased by 3.04%, with a significant rally in oil prices, as WTI crude oil moved up a notable 62.43% after tumbling earlier in the year. Canada was led higher by the Information Technology, Consumer Discretionary, and Health Care sectors, which gained an impressive 14.64%, 8.35%, and 5.57%, respectively. Bonds inched slightly higher in May, with the FTSE Canadian index up 0.31%.

Here are some of May's most notable headlines:

Increasing evidence shows dramatic weakening of global economy. In May we saw reports showing some of the impact of the lockdown measures taken to slow the spread of the COVID-19 pandemic. In the U.S. reports for April showed staggering losses of over 20 million jobs, along with retail sales down 16.4% sequentially, and first quarter GDP down 5.0%. In Canada reports showed April job losses of nearly two million people, a retail sales decline of 16.0%, and a first quarter annualized GDP decline of 8.2%. We also saw U.K. GDP plunging by 5.8% in March, and weak Chinese manufacturing data for April.

U.S. – China tensions escalate, again. U.S. officials have continued to place blame for the COVID-19 pandemic on China's inability to contain the virus within its borders. The U.S. Senate passed a bill, targeting Chinese companies, requiring U.S. listed companies to prove they are not owned or controlled by foreign governments, with non-compliant firms facing de-listing. Meanwhile China passed a controversial Hong Kong security law. The legislation is an attempt to prevent protests, and will ban any activities that endanger China's national security, including separatism, subversion and terrorism. Critics view this as a move to silence dissidents and other political opponents. The law was condemned by the U.S. and a variety of other countries.

China abandoned economic targets for 2020. Chinese Premier Li Keqiang gave his annual policy address at the National People's Congress session, and stated that China will not have a GDP growth target for 2020. This is the first time in decades China will go without a target, and underscores the impact and uncertainty on its economy caused by COVID-19. The government also unveiled stimulus plans including US$140 billion of spending, tax cuts, and measures to create jobs. The government will issue US$140 billion of special treasury bonds, with the funds used to buy medical equipment and technology used to fight COVID-19. There will be further spending on infrastructure projects including 5G networks, railways, and airports.

Did you know?

One of the important measures of the economy we look at is gross domestic product, or GDP. Specifically, we look at its growth over time. But what is GDP?

GDP is the monetary value of all finished goods and services made in a country during a specific period of time. There are a couple of different ways to measure it, but it can be thought of as the total of private consumption, government spending, business investment, and net exports. If you sum all of these activities, you arrive at all the expenditures in the country for a given period. By comparing this number over time, you can measure the health of the economy.

While recessions can be defined in different ways, one common method of defining a recession is: two consecutive quarters of declining GDP.

GDP is watched by a variety of users. Central banks and governments use it to inform their monetary and fiscal policy, respectively. Businesses use it to help make decisions on capital spending, hiring and firing, and strategy. Investors use it to influence their investment decisions.

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.03	0.64	1.62	166
Bonds (FTSE Canada Universe Bond)	0.31	5.74	7.05	1188
Canadian Equities (S&P/TSX Composite)	3.04	-9.70	-2.12	15,193
U.S. Equities (S&P 500, US$)	4.76	-4.98	12.82	3,044
Global Equities (MSCI World, US$)	4.89	-7.94	7.41	2,148
Emerging Markets (MSCI Emerging Markets, US$)	0.79	-15.89	-4.05	930

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C$/US$	1.23	-5.70	-1.88	0.73
C$/Euro	-0.09	-4.75	-1.27	0.65
C$/Pound	3.30	1.29	0.41	0.59
C$/Yen	1.76	-6.49	-2.40	78.21

COMMODITIES (US$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot ($/oz)	2.98	13.70	30.52	1,751.70
Oil WTI ($/barrel)	62.43	-39.71	-32.28	35.49
Natural Gas ($/MMBtu)	-14.79	-19.71	-27.72	1.85

†Total Return, as at May 29, 2020. Indices are quoted in their local currency.
Source: Bloomberg

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