

April in Review

After tumbling in March, equities rallied in April, driven by the huge fiscal and monetary support announced to date. While the world continues to deal with the COVID-19 global pandemic, investors are looking beyond the crisis and evaluating the eventual recovery. The U.S. led the markets higher, with the S&P 500 up 12.82%, and the Dow Jones Industrial Average up 11.22%. Global stocks performed well, with the MSCI World Index up 11.00% in the month. In Canada, the S&P/TSX Composite increased by 10.79%, despite continued oil price weakness, with WTI crude oil down 23.13%. Canada was led higher by the Materials, Information Technology, and Consumer Discretionary sectors, which rallied an impressive 32.99%, 29.30%, and 20.26%, respectively. Bonds also rallied in March, with the FTSE Canadian index up 3.79%.

Here are some of April's most notable headlines:

Governments provide plans for massive fiscal spending. In response to the COVID-19 crisis major governments around the world have announced huge amounts of fiscal stimulus. The Canadian government announced C\$146 billion of spending on wage subsidies, student aid, and rent relief for small businesses. The U.S. government is spending US\$2.7 trillion in stimulus, providing emergency aid to small businesses and hospitals, and funding for coronavirus testing. The European Union announced a spending package of €3.2 trillion, which is to include a combination of loans and grants for member governments. Details are still being negotiated, and there may be even more stimulus in the near future.

Economic data is showing a slowing global economy. Job losses spiked in March, as companies are responding to the global pandemic. In the U.S., where more than 80% of Americans were under some form of lockdown, there were 6.65 million jobless claims filed in the week ending March 28. This surpassed the previous record of 3.31 million jobless claims in the previous week as per the U.S. Labor Department. In Canada, the economy lost more than a million jobs in March, as the unemployment rate increased to 7.8% from 5.6% in February. In China first quarter 2020 GDP contracted by 6.8%, the first decline in 28 years.

IMF projections show a sobering 2020 economic outlook. The IMF's forecast shows a huge impact from the COVID-19 pandemic, along with what it calls "The Great Lockdown." Its 2020 projection has global GDP declining by 3%, Canadian GDP dropping by 6.2% and U.S. GDP decreasing 5.9%. This predicts the worst recession since the Great Depression. The IMF expects an economic recovery in 2021, with the global, Canadian, and U.S. economies growing by 5.8%, 4.2%, and 4.7%, respectively. The recovery depends on the duration of the pandemic and the policies that governments use to stimulate the economy.

Did you know?

After the initial economic shock from the effects of COVID-19, investors began looking down the road to what will happen with an eventual economic recovery. There has been a lot of discussion about the "shape" of the recovery. This terminology is used as informal shorthand to characterize the rate of recovery after a recession, and refers to the shape of the line in a graph of GDP.

- **A V-shaped recession** is when there is a brief period of economic decline followed by a rapid recovery. This is a fairly normal shape for a recession, and the strength of the recovery is based on the severity of the recession.
- **A U-shaped recession** occurs when the trough is less clearly defined, with economic weakness persisting for several quarters before growth resumes.
- **A W-shaped recession** is when the economy dips, briefly rebounds, and then dips again before eventually recovering. This is called a double-dip recession.
- **An L-shaped recession** is a severe recession where GDP does not return to trend line growth for many years, if ever. This aligns with a long period of economic malaise, or a depression.

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.02	0.61	1.74	166
Bonds (FTSE Canada Universe Bond)	3.79	5.41	8.52	1184
Canadian Equities (S&P/TSX Composite)	10.79	-12.36	-7.92	14,781
U.S. Equities (S&P 500, US\$)	12.82	-9.30	0.85	2,912
Global Equities (MSCI World, US\$)	11.00	-12.25	-3.44	2,053
Emerging Markets (MSCI Emerging Markets, US\$)	9.18	-16.55	-11.69	925

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	0.87	-6.85	-3.98	0.72
C\$/Euro	1.58	-4.66	-1.71	0.65
C\$/Pound	-0.56	-1.95	-0.65	0.57
C\$/Yen	0.49	-8.10	-7.67	76.86

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	6.11	10.36	28.28	1,694.20
Oil WTI (\$/barrel)	-23.13	-68.30	-69.05	18.84
Natural Gas (\$/MMBtu)	10.99	-13.22	-24.02	1.95

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

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