

October in Review

Stocks continued to pull back in October, with weakness across most major indices. While the economic recovery continues, the second wave of COVID-19 infections continues to cause lingering concerns for investors. U.S. markets moved lower, with the S&P 500 down 2.66% and the Dow Jones Industrial Average declining by 4.52%. Internationally, the MSCI EAFE, representing developed markets, declined 3.99%, while the MSCI Emerging Markets Index gained 2.08% thanks to strong performance in India. In Canada, the S&P/TSX Composite fell 3.11%, led lower by weakness in the Information Technology, Consumer Staples, and Energy sectors. The best performing sectors in Canada were Health Care, up 7.42%, Consumer Discretionary, down 0.21%, and Real Estate, down 0.55%. Commodities were mixed, with WTI crude oil down 11.56%, and gold down 0.82%, although copper was up 0.49%. Bonds moved slightly lower, with the FTSE Canadian index down 0.76%.

Here are some of October's most notable headlines:

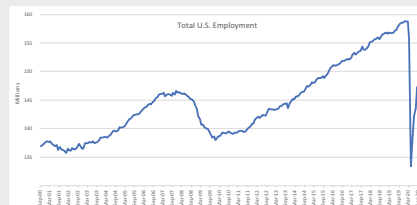
Investors continue to anticipate the announcement of new stimulus bill from U.S. congress. Negotiations between Speaker of the House of Representatives Nancy Pelosi and Treasury Secretary Steve Mnuchin took place throughout October. Proposed support packages ranged from \$2.2 trillion to a smaller \$1.6 trillion deal. Negotiations were likely delayed by the proximity to the November 3 elections, with some preferring to wait until after the elections. Uncertainty remains, but most parties agree on the need for further stimulus, with disagreements focused on the scale and details of the plan. This remains a key item, with additional fiscal stimulus expected to help drive the next phase of the economic recovery in the U.S.

October provided increasing evidence of an economic rebound from the depths of the spring. Canada's GDP grew by 3% in July, meeting expectations. July's growth followed a GDP increase of 6.5% in June. All 20 sectors of the Canadian economy grew in July, as businesses continued to reopen. Manufacturing grew 5.9%, after a 15.1% increase in June. In the U.S., annualized GDP climbed by an impressive 33.1% in Q3. The U.S. economy followed its worst ever quarterly decline in Q2 (down 31.4%) with its best ever quarterly increase in Q3, beating expectations. Additionally, Purchasing Managers Index data showed expansion for U.S., Canada, and Germany in September.

Increasing worldwide COVID-19 cases continue to weigh on markets. The U.S. broke its single-day record for new coronavirus infections in October. The number of hospitalized COVID-19 patients in the U.S. increased materially, with hospitalizations climbing in most states. Meanwhile surging cases in France and Germany prompted new lockdowns, as part of an effort to prevent the healthcare system from becoming overwhelmed. The possibility of additional lockdowns continues to generate concern for investors.

Did you know?

In October, jobs data was released showing the U.S. unemployment rate declining to 7.9% in September. This was down from 8.4% in August, and down from a staggering recent high of 14.7% in April. The improvement was aided, of course, by the continued reopening of businesses that had been closed due to the COVID-19 pandemic. The recovery over the past several months has featured significant job growth, with nonfarm payrolls up by 661,000 in September.



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.01	0.71	1.00	166
Bonds (FTSE Canada Universe Bond)	-0.76	7.18	6.46	1,204
Canadian Equities (S&P/TSX Composite)	-3.11	-6.11	-2.30	15,581
U.S. Equities (S&P 500, US\$)	-2.66	2.76	9.70	3,270
Global Equities (MSCI World, US\$)	-3.04	-0.96	4.94	2,293
Emerging Markets (MSCI Emerging Markets, US\$)	2.08	1.13	8.59	1,103
CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	0.01	-2.47	-1.17	0.75
C\$/Euro	0.64	-6.13	-5.39	0.64
C\$/Pound	-0.19	-0.16	-1.24	0.58
C\$/Yen	-0.75	-5.97	-4.18	78.64
COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-0.82	21.24	21.76	1,879.90
Oil WTI (\$/barrel)	-11.56	-36.59	-30.45	35.79
Natural Gas (\$/MMBtu)	7.60	28.85	26.09	3.35

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

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