MONTHLY
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October in Review

Equities generally had strong performance in October, although Canadian stocks declined. International stocks led the market higher, with emerging markets up 4.23%, and the Europe/Asia/Far East (EAFE) index up 3.60%. U.S. equities rose 2.17%, led higher by Health Care, Information Technology, and Telecom. Canadian stocks were down 0.86%, led lower by the Materials, Industrials, and Financials sectors. Trade conflicts and Brexit continue to provide an overhang, with the related uncertainty impacting economies around the world. The knock-on effects are showing up in economic reports that show slowing economic activity, particularly in manufacturing. Investors are finding optimism in the activities taken by central banks to stimulate their respective economies. Canadian bonds experienced a slight decline again this month, down 0.17% in October. Commodities moved higher, with natural gas up 5.15%, gold up 2.84%, copper up 2.31%, and WTI crude oil up 0.37%.

Here are some of October's most notable headlines:

U.S. Federal Reserve Board cut rates; other major central banks left rates unchanged. The U.S. Federal Reserve (The Fed) lowered interest rates by 25 basis points, as expected. This was its third consecutive rate cut, although the Fed statement indicated that this might be the last rate cut for a while, barring a sharp downturn in the economy. Fed Chairman Jerome Powell implied the U.S. economy has stabilised, and the U.S. is potentially at a turning point in its trade wars. Meanwhile the Bank of Canada, Bank of Japan, and European Central Bank left rates unchanged at policy meetings in October. All three central banks provided commentary expressing concern about the state of the global economy, and left the door open for future rate cuts.

Signs of an economic slowdown appear across the globe. During October a series of economic reports were released that demonstrated economic weakness in a variety of regions. In particular manufacturing weakness in Europe was highlighted, with a weak Eurozone Purchasing Mangers' Index (PMI) report for September, along with a weak August GDP report in the U.K. In China, third quarter GDP grew by 6.0% year-over-year, short of expectations. In Japan, a report showed that September exports declined for a tenth consecutive month, displaying softening external demand for Japanese manufacturing. Finally, in the U.S. a September PMI report showed the second consecutive month of contraction, and the lowest monthly number since June of 2009. Much of this weakness is related to the uncertainty surrounding Brexit and the U.S. – China trade conflict.

The Brexit drama continues to slowly unfold. The European Union granted a three-month extension for Brexit, and the new deadline for the U.K.'s departure is January 31, 2020. The U.K. is now set for a December election, as the Labour party has decided to back Prime Minister Boris Johnson's motion. Johnson has promised not to push forward with his Brexit deal until a new Parliament has been elected, satisfying Labour party leader Jeremy Corbyn's condition that a no-deal Brexit should be taken off the table.

Did you know?

Trade has been in the news a great deal lately, as investors try to interpret the latest news on the U.S. – China trade conflict. It's worth considering some of the issues at stake, and how that affects both investors and the underlying economy. The free exchange of goods and services between countries allows specialization to occur. This means that each country can focus on the production of things it can make most efficiently, while trading for the rest. Since the result is more efficient production, more wealth is created than if each country tried to make everything they use. When this happens worldwide, it allows specialization and scalability, which lowers unit costs and drives further efficiency. It also means that consumers get better quality goods at lower prices, and more selection of products. While the U.S. – China trade conflict acts as a barrier to economic growth, if the two countries are able to work out a deal we could expect a positive impact on not only the U.S. and Chinese economies, but the entire global economy.

Source: Bank of Canada – Trading Up: How Countries Benefit from Freer Trade

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.14	1.39	1.68	164
Bonds (FTSE Canada Universe Bond)	-0.17	7.60	10.18	1131
Canadian Equities (S&P/TSX Composite)	-0.86	18.05	13.21	16,483
U.S. Equities (S&P 500, US$)	2.17	23.16	14.32	3,038
Global Equities (MSCI World, US$)	2.57	21.21	13.38	2,234
Emerging Markets (MSCI Emerging Markets, US$)	4.23	10.66	12.26	1042

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C$/US$	0.58	3.61	-0.04	0.76
C$/Euro	-1.70	6.52	1.38	0.68
C$/Pound	-4.44	2.18	-1.39	0.59
C$/Yen	0.53	2.05	-4.40	82.06

COMMODITIES (US$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot ($/oz)	2.84	15.41	21.11	1,514.80
Oil WTI ($/barrel)	0.37	11.99	-17.24	54.18
Natural Gas ($/MMBtu)	5.15	-10.62	-10.14	2.63

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

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