

September in Review

After a dramatic rally throughout the summer, stocks took a step back in September, with broad weakness across major stock indices. Recent data suggests an economic recovery continues, although it has settled into a slower growth phase. U.S. markets led the decline, with the S&P 500 down 3.80% and the Dow Jones Industrial Average declining by 2.18%. Internationally, the MSCI EAFE, representing developed markets, declined 2.59%, while the MSCI Emerging Markets Index fell a more modest 1.62%. In Canada, the S&P/TSX Composite fell 2.06%, led lower by weakness in the Energy, Health Care, and Financials sectors. The best performing sectors in Canada were Consumer Staples, up 7.89%, Utilities, up 6.36%, and Industrials, up 3.13%. Commodities moved lower, with WTI crude oil down 6.25%, gold down 4.20%, and copper down 0.95%. Bonds move slightly higher, with the FTSE Canadian index up 0.32%.

Here are some of September's most notable headlines:

Canadian throne speech promised extended emergency COVID-19 supports. Canada's Liberal government promised extended emergency support for Canadians impacted by the COVID-19 crisis. The government will expand support for struggling businesses and extend the wage subsidy program until next summer. The government also promised to expand the emergency business account, offering interest-free loans of \$40,000 to small businesses and non-profits, along with further support for sectors such as tourism and hospitality. The speech did not provide the financial details, which will likely come later this year in a fiscal update.

The U.S. Federal Reserve offered a gloomy outlook for the economy and reaffirmed low interest rates. After a policy meeting, the U.S. Federal Reserve (the Fed) announced that it will maintain low interest rates for years to come. Chair Jerome Powell warned that the quick recovery in the economy following the outbreak of COVID-19 is unlikely to persist, and further fiscal stimulus will likely be necessary to spur a greater recovery. The Fed will continue to purchase \$120 billion in government bonds per month, but announced no further asset purchases, which some investors had been anticipating.

The Bank of Canada commits to low rates and continued bond buying. In a statement released after its regularly scheduled meeting, the Bank of Canada (BoC) suggested the Canadian economy is recovering as well as it had been expecting. It left interest rates unchanged and said it will maintain low rates until inflation is back on track. The BoC will also continue its policy of quantitative easing, where it buys bonds and other assets from banks to stabilize their balance sheets.

Did you know?

A recent StatsCan survey results reflect labour market conditions five months following the onset of the COVID-19 economic shutdown. Some of the findings of this survey are:

- The number of Canadians working from home declined for the fourth consecutive month. The number has fallen to 2.5 million in August since the 3.4 million mark in April.
- Employment rose at a faster pace among women than men for the third consecutive month in August.
- Employment growth in August was mostly concentrated in full-time work. Nevertheless, full-time employment stood at 93.9% of pre-pandemic levels in August compared with 96.1% for part-time work.
- The unemployment rate had more than doubled from 5.6% in February to a record-high of 13.7% in May. This rate continues to fall and sits at 10.2% in August.
- Temporary layoffs continue to decline as August numbers fell by half (230,000) from that of July (460,000). This number had risen to a record 1.2 million in April.

Source: Statistics Canada

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.01	0.70	1.12	166
Bonds (FTSE Canada Universe Bond)	0.32	8.00	7.08	1,214
Canadian Equities (S&P/TSX Composite)	-2.06	-3.09	-0.03	16,121
U.S. Equities (S&P 500, US\$)	-3.80	5.57	15.14	3,363
Global Equities (MSCI World, US\$)	-3.42	2.14	11.01	2,367
Emerging Markets (MSCI Emerging Markets, US\$)	-1.62	-0.96	10.84	1,082

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-2.05	-2.48	-0.61	0.75
C\$/Euro	-0.26	-6.73	-7.59	0.64
C\$/Pound	1.33	0.03	-5.45	0.58
C\$/Yen	-2.39	-5.26	-2.94	79.23

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-4.20	22.24	26.17	1,895.50
Oil WTI (\$/barrel)	-6.25	-29.25	-20.56	40.22
Natural Gas (\$/MMBtu)	-13.46	4.12	3.86	2.53

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

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