MONTHLY InvestmentMonitor

SEPTEMBER 2019

August in Review

Equities registered mostly poor performance in August. Canada was the outlier, with the S&P/TSX Composite index up 0.43% on the month, led higher by the information technology, materials, and utilities sectors. U.S. equities were down 1.58%, led lower by energy, financials, and materials. International stocks led the market lower, with Emerging Markets down 4.85%. Uncertainty abounds, as investors continue to worry about global trade, Brexit, and a continued slowdown in global economic growth. Canadian bonds were positive for the month, up 1.88%. Commodities were mixed, as gold and natural gas advanced 6.37% and 1.56%, respectively, while WTI crude oil and copper declined by 6.02% and 4.65%.

Here are some of August's most notable headlines:

Ups and downs in U.S.-China trade relationship move markets. Investor's opinions on the likelihood of a reasonable trade agreement between the U.S. and China swung back and forth throughout the month, moving equity markets along with sentiment. During the month the U.S. threatened significant new tariffs of 10% on $300 billion of Chinese imports, which would apply to nearly all Chinese goods that the U.S. imports. China announced retaliatory tariffs of 5-10% on $75 billion worth of U.S. goods. The trade relationship was looking more positive when the Trump administration announced the delay of the new tariffs until December 15, pushing them past the bulk of the Christmas shopping season. China then announced they do not wish to retaliate against further tariff increases, and talks between the two countries are planned in September.

Weak economic data raises German recession fears. A variety of economic reports released in August show the German economy weakening. German GDP declined by 0.1% in Q2, driven by global uncertainty from the U.S. – China trade dispute and the overhang from Brexit. Manufacturing has been hit particularly hard, as weak global auto sales have hit the country's auto sector. A separate report showed German business confidence weaker than expected, declining for the fifth straight month and dropping to its lowest level in six years. Angela Merkel's government has suggested the German budget will remain balanced until 2023, some are now suggesting fiscal stimulus could be necessary.

The Brexit situation remains unclear. With the Brexit deadline of October 31 coming up, the outcome is as uncertain as ever. U.K. Prime Minister Boris Johnson is prepared to remove Britain from the European Union (EU) with or without an EU deal in place. However, with the support of several Conservative MPs, a "rebel alliance" of MPs opposed to a "no deal" Brexit passed legislation that will force Mr. Johnson to ask the EU to extend the Brexit date by another three months. After losing the support of dozens of MPs, it is possible Mr. Johnson will face an election in the near term, although the opposition will not allow this to happen until there is a new Brexit deadline in place.

Did you know?

Now that it's September and kids are back to school, it's a natural time to think about Registered Education Savings Plans (RESPs). A study by Maclean's magazine shows that the average cost of a year of post-secondary education in Canada is $19,499. RESPs are one of the most effective mechanisms for saving for children's education, as the federal government provides a 20% matching grant on annual contributions, with an annual limit of $500 and a lifetime limit of $7,200. Other grants may be available depending on income status, and the province in which you live. In addition, investments within an RESP are tax sheltered, as all earnings (capital gains, dividends, and interest) on the investments accumulate tax-free until withdrawn. When the money is withdrawn, the contributed amount is not taxed. The government grant and investment income are taxed as income by the beneficiary, which is generally a very low tax rate. Like an RRSP, TFSA or any other long-term savings account, it's vitally important that investors have the right plan and the right investment solution in place to help them reach this important milestone. Talk to a Scotiabank Advisor today.

Sources: Macleans (2018)

INDEX†	Change (%) 1 Mth	YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.14	1.11	1.66	164
Bonds (FTSE Canada Universe Bond)	1.88	8.70	9.92	1143
Canadian Equities (S&P/TSX Composite)	0.43	17.10	3.65	16,442
U.S. Equities (S&P 500, US$)	-1.58	18.34	2.94	2,926
Global Equities (MSCI World, US$)	-1.99	15.66	0.60	2,139
Emerging Markets (MSCI Emerging Markets, US$)	-4.85	4.15	-4.18	984

CURRENCIES†	Change (%) 1 Mth	YTD	1 Yr	Exchange Rate
C$/US$	-0.88	2.47	-2.47	0.75
C$/Euro	-0.06	6.96	3.62	0.68
C$/Pound	-0.91	7.52	4.34	0.62
C$/Yen	-3.20	-0.71	-6.61	79.84

COMMODITIES (US$)†	Change (%) 1 Mth	YTD	1 Yr	Price
Gold Spot ($/oz)	6.37	16.53	23.39	1,529.40
Oil WTI ($/barrel)	-6.02	14.70	-16.89	55.10
Natural Gas ($/MMBtu)	1.56	-16.97	-14.29	2.29

†Total Return, as at August 30, 2019. Indices are quoted in their local currency. Source: Bloomberg

5120-2019-0903 R1

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