# MARKET & ECONOMIC SUMMARY

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## MARKET SUMMARY

First Quarter 2020

**S&P/TSX Composite TR**

| Q1 | YTD | 1 year |
|---|---|---|
| ↓20.9% | ↓20.9% | ↓14.2% |

**S&P 500 TR** (USD)

| Q1 | YTD | 1 year |
|---|---|---|
| ↓19.6% | ↓19.6% | ↓7.0% |

**MSCI EAFE GR** (C$)

| Q1 | YTD | 1 year |
|---|---|---|
| ↓15.2% | ↓15.2% | ↓8.3% |

**ICE BofAML Canada Brd Mkt TR**

| Q1 | YTD | 1 year |
|---|---|---|
| ↑1.6% | ↑1.6% | ↑4.5% |

## FIRST QUARTER HIGHLIGHTS

- S&P/TSX Composite hits 8-year low of 11,172.70 on March 23rd
- S&P 500 hits 40-month low of 2,191.86 on March 23rd
- Canadian dollar hits 4-year low of $0.6818 USD on March 20th
- WTI Oil hits 21-year low closing at $14.10 USD on March 30th
- Bank of Canada lowers overnight by 1.5% to 0.25% in Q1

## SUMMARY

The first quarter of 2020 was unlike any we have seen in a very long time. In response to the coronavirus pandemic and the social distancing and lockdown measures that have affected over one-third of the world's population, global capital markets declined sharply. Energy prices also weakened significantly as a result of a price war between Russia and Saudi Arabia, further affecting the shares of energy companies and adding to the general atmosphere of anxiety in the markets. This was a stark contrast to the decade of gains investors had experienced since the end of the financial crisis. In fact, North American stock markets had reached all-time highs in February, on the heels of their strongest year since 2013.

The S&P 500 Index, a broad measure of U.S. equities, had the worst start to a year in history, down 19.6% (in USD) over the three months ending March 31, while the Canadian S&P/TSX Composite Index posted its worst quarter since the financial crisis, declining 20.9%. Government bonds benefited from investors moving to safe havens, and yields moved lower as prices rose. The Canadian dollar declined in value over the quarter, helping to mitigate losses for Canadians invested in U.S. markets (the S&P 500 was down only 11.8% in Canadian dollar terms).

As businesses were ordered closed to help stem the spread of the virus, central banks moved quickly to respond to the downturn with policies aimed at stabilizing the financial system, while the G7 countries announced that they would be willing to use "all appropriate policy tools" to provide economic support during the COVID-19 outbreak. Amidst surging unemployment numbers in both Canada and the U.S., the U.S. unveiled a US$2-trillion stimulus package, while the Canadian government's commitment to fiscal support reached C$176 billion. The U.S. Federal Reserve (Fed) made two emergency cuts to its policy rate, bringing it to a range of 0-0.25%, while The Bank of Canada made three rate cuts to reduce its overnight lending rate to 0.25%.

Certainly, this has been a very difficult period, and you may be anxious about your investments as well as your own health and the health of your loved ones. There are still many unknowns about the virus and the economic impact of the measures being taken to control it. However, it is at these times of great uncertainty that discipline and the ability to remove emotion from one's financial decisions becomes an investor's most valuable asset. Adhering to professional advice to oversee your investments objectively will prove beneficial as we come out of this downturn. As history has demonstrated, markets have ultimately recovered from setbacks, large and small, before moving higher in the long run.

> *"Trying to time the markets usually results in the investor participating in the losses, but missing out on the gains".* – *Cy Korun*

## STRATEGIC NOTES

The recent market pullback marked the fastest drop into bear market territory in history, taking only 20 days to occur in both Canada and the US (from February 20th – March 11th). A bear market occurs when there is a drop of 20% or more from the market peak.

However, notwithstanding the speed, this occurrence is a fairly consistent part of market movements. Bear markets occur approximately once every 6 years on average, and take an average of 20-24 month to recover to new market highs.

As unsettling as the drop may be, staying the course and not deviating from your investment strategy remains the most prudent course of action for long-term investment growth. Trying to time the market to avoid further losses is not a realistic strategy. One key reason for this is that the largest market gains often happen within a few days of the largest losses. March 16th saw the 2nd largest historical daily market decline of 12.9% while March 24th marked the 4th highest daily market gain of 11.4%. It is typically a market loss that triggers investor fear and the desire to sell to avoid further losses. But this mindset means the investor participates in the loss, yet will often miss the gains that follow. The chart below shows the impact of missing the best trading days.


Source: Morningstar, CI Investments. S&P 500 TR in USD from January 1, 1990 – December 31, 2019 using daily returns.

Cy Korun, CFA, CFP
President, Eastport Private Investment Counsel

*The information in this letter is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, RBC GAM, National Post, Bank of Montreal Economics, Yahoo Canada Finance, Euro Investor and Trading Economics. Index information was provided by Morningstar, TD Newcrest and Bloomberg. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources; however, no warranty can be made as to its accuracy or completeness.*