Financial and Economic Notes

July 2020 vol. 172

Highlights

Equity markets experienced a very sharp recovery from the March lows.

Equity Markets

Canadian investors breathed a sigh of relief this quarter. In most major markets, investors bought into the improving COVID-19 picture and significant central banks support, pushing prices higher. The S&P/TSX Composite, which was up 17% for the period, was also helped by an improving energy environment where crude oil prices recovered from being negative to approximately $40 a barrel. Breadth appears wide with ten of eleven sectors offering positive returns. However, most of the benchmark return can be attributed to the Materials sector (+42%), on the back of precious metal companies, and the Technology sector (+68%) on the back of Shopify, which saw its valuation inflate higher and higher, becoming the largest company in Canada based on its market capitalization. Consumer Discretionary (+33%) was also strong while Communications (-1%) and Utilities (+4%) were the weaker performers. Clearly, market participants were in risk seeking mode.

In the US, confidence continued to grow through the second quarter as investors watched countries around the world enter the early phases of re-opening, with mixed success. This was further aided by some positive “early data” on a potential vaccine and a strong jobs report in the US, suggesting things might not be as bad as feared. The S&P 500, with its heavy exposure to the IT sector, led the way globally, ending the quarter up 20.5%. Given the risk on sentiment and the oil price recovery, the loonie regained some of its lost ground in Q1, resulting in a 15.3% quarterly return in Canadian dollars for the index. After a period of broad selling with little discrimination, investors started choosing winners and losers from the pandemic, creating much larger deviations in performance this quarter. The market viewed anything with exposure to ecommerce or the “Cloud” as outsized winners in the post-pandemic world. Consumer Discretionary (dominated by Amazon) and IT led the rally, up 33% and 31% respectively. The risk-on sentiment was clearly visible, with all defensive sectors, like Utilities (+3%), Cons. Staples (+8%) and Healthcare (+14%), lagging the Index.

Fixed Income Markets

The second quarter of 2020 has been all about the recovery from the virus pandemic as many countries began re-opening their economies. The overall experience and containment of the virus has varied dramatically, as the recent escalation in new cases in the US is in direct contrast with other countries, including Canada, where cases have remained relatively low into the re-opening phase. This has created significant uncertainty around the economic outlook and hope for a “V” shaped recovery. The majority of economic data has improved steadily since the depths of March, with housing and employment leading the way, although unemployment remains elevated with a rate of 12.3% in Canada compared to 11.1% in the US. In Canada economic output reported in April showed an annualized decline of 18% over the level in February illustrating the magnitude of the impact this shut down has had on economic activity. In 2020, forecasted domestic GDP growth is expected to decline by 6.8% while the US economy is forecasted to decline by 5.5%.

Corporate and Provincial bonds performed well throughout the quarter as risk assets and the reach for yield produced strong demand. The speed of policy accommodation remains robust with support focused on market liquidity, including liquidity for risk assets. The potential for further policy support measures including yield curve control, forward guidance and added fiscal stimulus continues to be a focus for the market over the near term. As a result, interest rates are expected to remain low for an extended period as the path toward recovery is expected to be slow with a high degree of uncertainty. Most recently, added fiscal support in Canada was maintained despite the sizeable decline in government revenues. The supportive spending program is expected to produce a 2020/21 deficit of $343 billion, representing 15% of GDP, a rate not experienced since the late 1960’s.

Assumption Mutual Life Insurance Company, doing business under the name Assumption Life

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Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of June 30, 2020

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
ASSUMPTION / LOUISBOURG FUNDS							
Balanced Fund - RPP	**1.5**	**-1.4**	**2.7**	**3.5**	**4.5**	**5.5**	**4.8**
Multi-Index	1.7	0.4	4.3	5.0	5.6	6.1	5.3
Canadian Dividend Fund	**0.9**	**-11.0**	**-5.3**	**-2.0**	**1.8**	**4.0**	**4.0**
S&P / TSX Index	4.5	-3.3	1.9	2.5	5.5	5.8	5.4
U.S. Equity Fund ($CAN)	**-0.3**	**1.4**	**10.3**	**10.4**	**10.6**	**11.4**	**8.8**
S&P 500 Index ($ CAN)	3.9	5.8	14.2	11.5	14.6	13.8	12.1
Money Market Fund	**0.0**	**0.6**	**1.4**	**1.5**	**1.3**	**1.1**	**1.0**
SCM 91 Day T-Bills	0.0	0.8	1.5	1.6	1.4	1.2	1.0
Fixed Income Fund	**1.5**	**6.1**	**6.8**	**6.6**	**4.8**	**3.9**	**4.0**
SCM Universe Bond Index	1.3	8.9	9.1	8.7	6.4	4.1	4.2
Growth Portfolio	**2.0**	**-4.0**	**2.9**	**2.5**	**5.0**	**6.4**	**5.9**
Multi-Index	1.9	-5.0	1.1	2.7	5.3	7.4	5.9
Balanced Growth Portfolio	**1.8**	**-2.8**	**2.9**	**2.6**	**4.6**	**5.5**	**5.0**
Multi-Index	1.8	-2.3	2.6	3.8	5.3	6.6	5.5
Balanced Portfolio	**1.8**	**-1.7**	**2.6**	**2.6**	**3.8**	**4.6**	**4.3**
Multi-Index	1.8	0.9	4.4	5.1	5.3	5.7	5.1
Conservative Portfolio	**1.7**	**-2.1**	**0.6**	**1.1**	**2.1**	**2.8**	**3.0**
Multi-Index	1.7	4.1	6.1	6.3	5.3	4.8	4.6
Canadian Small Capitalization Equity Fund	**5.9**	**-11.3**	**-5.4**	**-9.4**	**-5.8**	**-2.0**	**0.7**
BMO NB Small Cap Weighted Index	7.4	-8.0	-6.4	-5.3	-2.2	-2.1	2.6
SmartSeries Income Fund	**1.5**	**-2.4**	**0.8**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	4.3	6.7	n/a	n/a	n/a	n/a
SmartSeries 2020 Fund	**1.3**	**-3.6**	**0.7**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	2.0	5.7	n/a	n/a	n/a	n/a
SmartSeries 2025 Fund	**1.3**	**-4.0**	**0.8**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	1.0	5.4	n/a	n/a	n/a	n/a
SmartSeries 2030 Fund	**1.2**	**-4.5**	**0.8**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	0.1	5.0	n/a	n/a	n/a	n/a
SmartSeries 2035 Fund	**1.2**	**-4.9**	**0.8**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	-0.9	4.6	n/a	n/a	n/a	n/a
SmartSeries 2040 Fund	**1.1**	**-5.5**	**0.6**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	-1.7	4.3	n/a	n/a	n/a	n/a
SmartSeries 2045 Fund	**1.1**	**-5.8**	**0.7**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	-2.2	4.0	n/a	n/a	n/a	n/a
SmartSeries 2050 Fund	**1.1**	**-6.4**	**0.2**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	-2.8	3.8	n/a	n/a	n/a	n/a
SmartSeries 2055 Fund	**1.1**	**-6.7**	**-0.2**	**n/a**	**n/a**	**n/a**	**n/a**
Multi-Index	1.6	-3.0	3.7	n/a	n/a	n/a	n/a
Momentum Fund	**5.3**	**22.6**	**38.6**	**11.7**	**16.5**	**11.0**	**14.2**
S&P / TSX Index	4.5	-3.3	1.9	2.5	5.5	5.8	5.4
Preferred Share Fund	**4.4**	**-17.6**	**-14.7**	**-15.2**	**n/a**	**n/a**	**n/a**
S&P/TSX Preferred Share (TXPR) Index	6.4	-5.5	-2.6	-6.0	n/a	n/a	n/a

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FIDELITY FUNDS							
Canadian Opportunities Fund	**1.7**	**4.0**	**13.3**	**12.7**	**10.7**	**10.3**	**9.6**
S&P / TSX Small and Mid Cap Combined Index	3.5	-11.8	-5.1	-2.2	0.9	2.4	2.0
True North Fund	**1.9**	**-1.4**	**4.6**	**5.2**	**6.6**	**7.1**	**6.2**
S&P / TSX Index	2.5	-7.5	-2.2	0.8	3.9	5.6	4.5
International Growth Fund	**2.5**	**2.6**	**13.4**	**10.6**	**10.5**	**12.3**	**9.8**
Overseas Blend	1.7	1.3	8.6	6.0	7.6	9.6	7.4
Europe Fund	**3.0**	**-9.8**	**-5.2**	**-2.2**	**1.4**	**6.1**	**2.7**
MSCI Europe Index	2.5	-8.4	-2.8	-0.8	1.6	6.2	3.2
American Disciplined Equity Fund	**0.6**	**3.6**	**14.6**	**11.3**	**12.8**	**13.8**	**10.7**
S&P 500 Index ($CAN)	0.5	1.8	12.1	10.9	12.5	13.8	12.7
NorthStar Fund	**2.8**	**2.9**	**9.9**	**2.8**	**3.5**	**4.6**	**4.7**
MSCI AC World	1.7	-1.5	6.4	5.7	7.8	10.5	8.3
Monthly Income Fund	**1.3**	**-0.8**	**3.0**	**5.3**	**4.6**	**4.8**	**5.2**
Monthly Income Blend	1.3	-1.6	2.6	5.3	5.2	5.8	5.6
Canadian Asset Allocation Fund	**1.7**	**-0.5**	**4.0**	**5.2**	**6.2**	**6.1**	**5.7**
Can Asset Alloc Blend	2.1	-2.3	1.4	3.2	4.5	5.1	4.4
Far East Fund	**7.3**	**3.6**	**11.6**	**6.3**	**10.2**	**13.5**	**9.7**
MSCI AC FE ex Jap (G)	7.0	1.6	8.7	3.3	6.2	11.3	7.0
Emerging Market Fund	**6.1**	**0.4**	**8.1**	**7.0**	**n/a**	**n/a**	**n/a**
MSCI Emerging Markets (G)	5.8	-5.1	1.1	1.0	n/a	n/a	n/a
NorthStar Balanced Fund	**1.4**	**4.0**	**9.4**	**5.8**	**n/a**	**n/a**	**n/a**
Northstar Balanced Blend	0.5	4.8	9.9	8.3	n/a	n/a	n/a
CI FUNDS							
Signature Corporate Bond Fund	**1.9**	**-1.4**	**1.4**	**4.2**	**n/a**	**n/a**	**n/a**
Multi-Index	1.8	-0.2	2.1	5.1	n/a	n/a	n/a
Signature Canadian Bond Fund	**2.1**	**8.0**	**8.5**	**8.2**	**5.7**	**4.2**	**4.5**
SCM Universe Bond Index	1.7	7.5	7.9	7.6	5.3	3.9	4.2
Signature High Income Fund	**1.2**	**-8.0**	**-3.5**	**2.6**	**2.5**	**4.3**	**3.3**
Multi-Index	-0.8	-7.9	-3.7	2.2	3.1	4.8	5.2
American Value Fund	**-0.3**	**-7.3**	**0.7**	**4.9**	**7.5**	**10.5**	**8.6**
S&P 500 Index ($CAN)	0.6	1.3	11.4	10.7	12.4	13.9	12.6
Cambridge Canadian Dividend Fund	**0.1**	**-14.5**	**-9.9**	**-0.7**	**n/a**	**n/a**	**n/a**
S&P/TSX Composite Total Return Index	2.5	-7.5	-2.2	0.8	n/a	n/a	n/a
Cambridge Canadian Asset Allocation Corp Fund	**0.3**	**-2.5**	**1.9**	**4.1**	**3.8**	**5.0**	**4.8**
60% S&P/TSX, 40% Dex Universe Bond Total Return	2.2	-1.3	2.2	3.8	4.7	5.2	4.5
Signature Global Resource Corp Class Fund	**3.9**	**-16.1**	**-13.1**	**-18.3**	**n/a**	**n/a**	**n/a**
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	0.0	-9.2	-1.2	-3.4	n/a	n/a	n/a
Signature Global Dividend Fund	**1.1**	**-10.5**	**-5.7**	**-0.2**	**n/a**	**n/a**	**n/a**
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	-0.2	-9.9	-2.4	3.0	n/a	n/a	n/a

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