

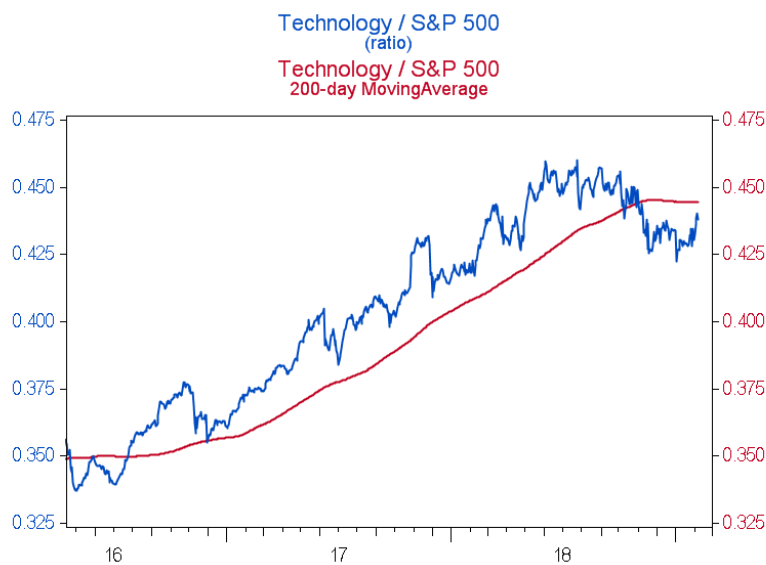
Rate Sensitives Resurface

Equity markets pulled back to close out the week, with softer global data and renewed concerns on the trade front weighing. The S&P 500 was down 0.5% by late Friday, while the TSX was holding onto a 0.7% gain. Since the start of 2018, U.S. equities have landed pretty much where they started, despite some wild rides along the way. Similarly, the last three months have gone much the same way. Now that the market has calmed down a bit, let's pause and take a look at what's been working lately and what hasn't. For this edition, we'll focus more on three-month performance, which smooths out the 'nightmare before Christmas' and subsequent flash rebound.

Market Performance as of February 8, 2019

	Current Price	Performance (percent)					2018
		1 Week	1 Month	3 Months	1 Year	YTD	
FTSE 100	7,071	0.7	3.1	-1.0	-1.4	5.1	-12.5
S&P/TSX	15,611	0.7	6.9	1.7	3.6	9.0	-11.6
NASDAQ	7,270	0.1	5.4	-3.5	7.3	9.6	-3.9
China CSI 300	3,247	0.0	6.6	1.1	-19.1	7.9	-25.3
Dow Jones	24,998	-0.3	5.1	-4.6	4.8	7.2	-5.6
S&P 500	2,694	-0.5	4.7	-4.0	4.4	7.5	-6.2
CAC 40	4,962	-1.1	3.9	-3.3	-3.7	4.9	-11.0
NIKKEI 225	20,333	-2.2	0.6	-9.6	-7.1	1.6	-12.1
DAX	10,907	-2.4	1.0	-5.4	-11.0	3.3	-18.3

Source: Bloomberg, as of 2:00 pm



Hot: Rate sensitives. With 10-year Treasury yields peaking exactly three months ago (at 3.23%), and subsequently falling by more than 50 bps, the rate-sensitive sectors have bounced back with vigour. U.S. utilities are the best performing sector over that period, and are now up almost 17% in the past year. Canadian bond yields have backed off as well alongside a more dovish BoC, with utilities and REITs responding.

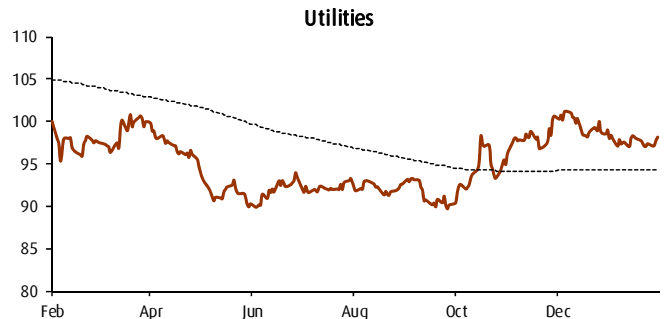
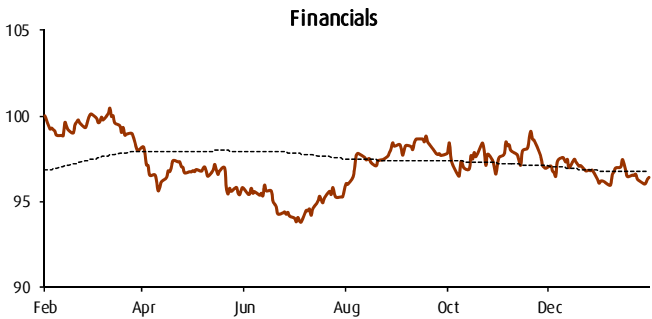
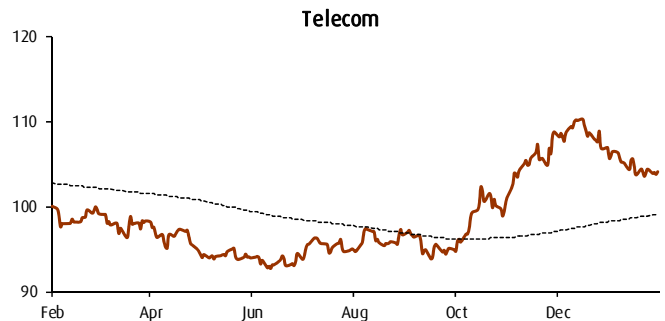
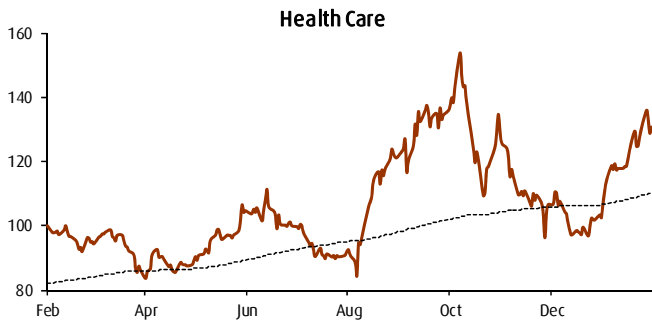
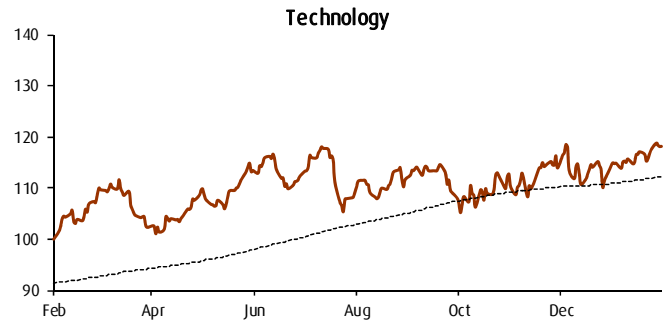
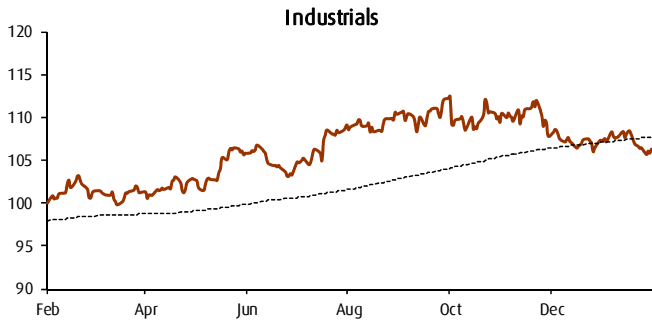
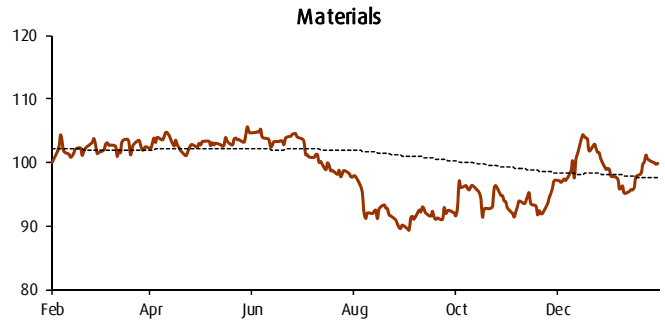
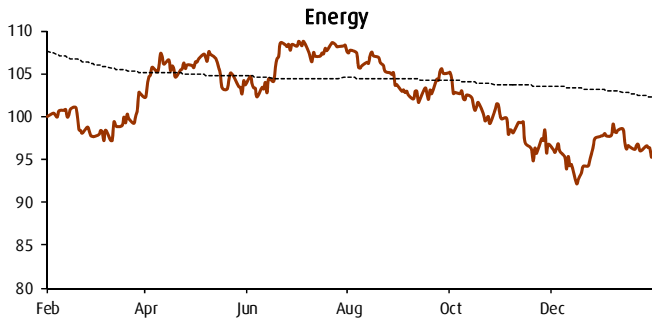
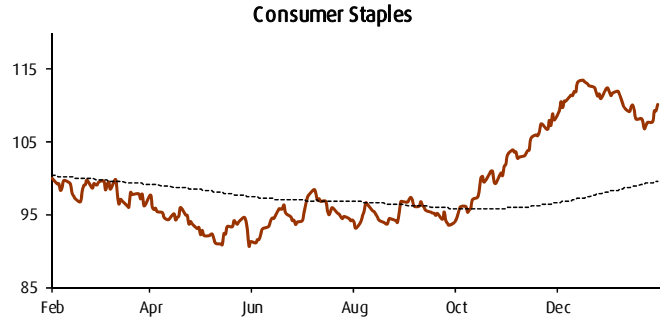
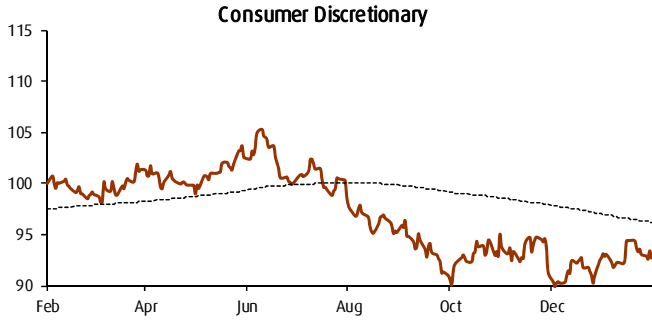
Warm: Canada. Oh, Canada, it's been a while. The TSX is the top major market on our leaderboard over the past three months, though the 1.7% return has still been pretty modest (and, on a one-year basis, Canadian equities are still lagging their U.S. counterparts). Helping the TSX lately has been the energy sector (spreads have narrowed) and a surge in cannabis (the 'health care' sector is up almost 50% on the year already). The heavyweight banks have also snapped back sharply from the late-year selloff. **Bonus:** U.S. banks have surged as well to start the year, with a dovish shift by the Fed helping. This

week's announced merger between SunTrust and BB&T has also lifted sentiment in a sector that was all but left for dead last year.

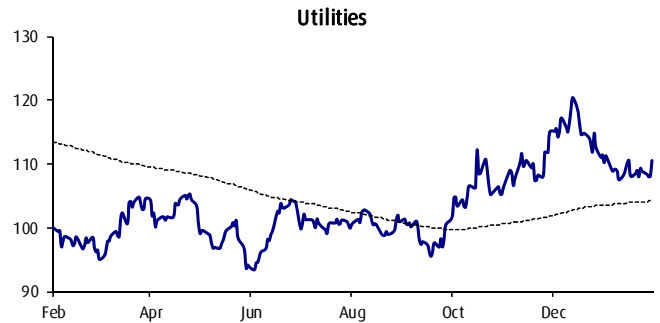
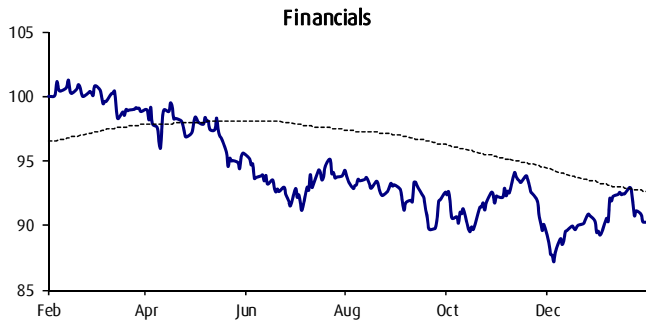
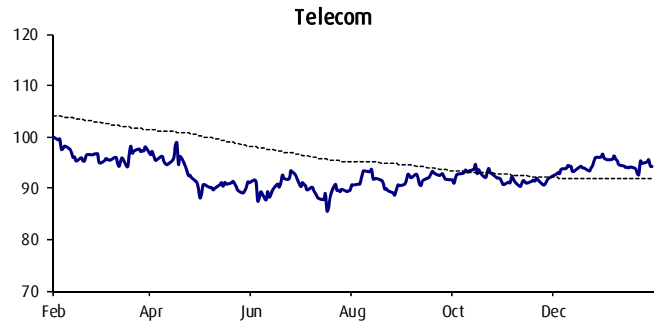
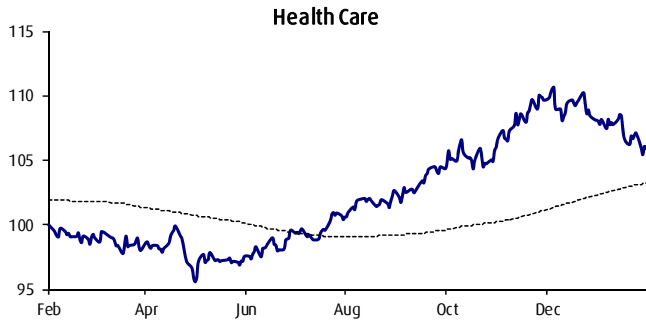
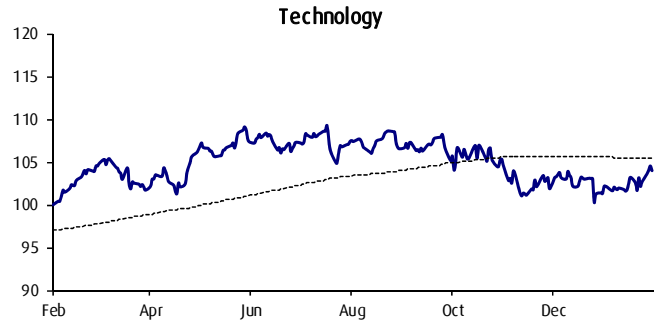
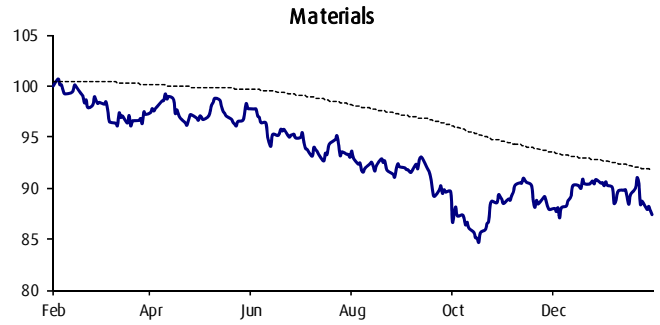
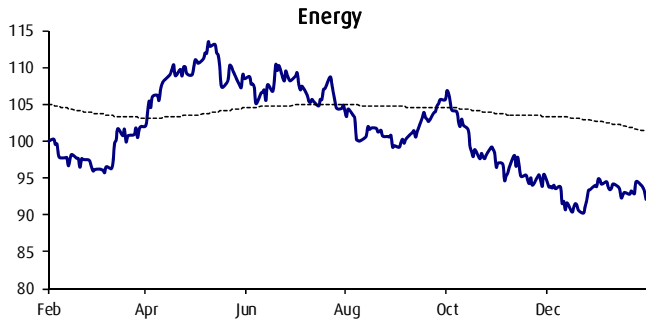
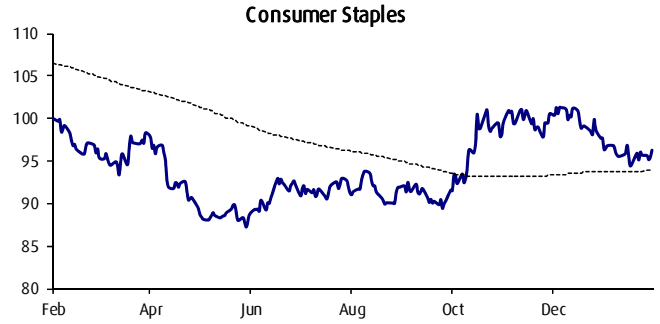
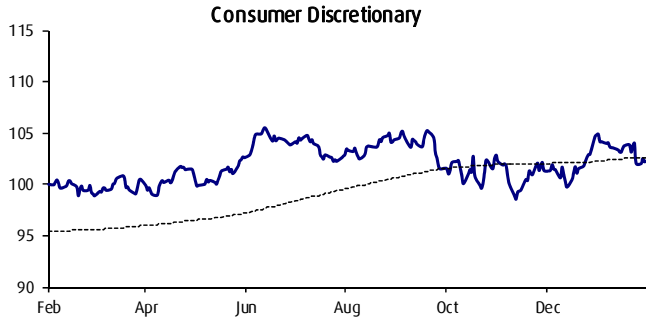
Cool: Technology, long the driver of the bull market, has mellowed in a meaningful way. The sector is lagging the broader S&P 500 over the past three months alongside some key earnings misses.

Cold: Energy and materials, typically later-cycle performers, have continued to lag. In fact, it's interesting that these sectors are stuck below their 200-day moving averages on a relative basis, while health care, utilities and telcos are trading above—i.e., the market has taken on a more defensive posture. **Bonus:** Europe, where economic data have been flagging.

TSX Sector Performance (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



S&P 500 Sector Performance (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



North American Sector Performances as of February 8, 2019

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2018
Utilities	1.6	4.4	1.3	16.7	4.7	0.5
Information Technology	1.2	7.9	-4.8	10.1	8.9	-1.6
Industrials	1.0	9.0	-0.6	-0.6	12.7	-15.0
Cons Staples	0.5	3.6	-5.5	-0.4	5.3	-11.2
Cons Discretionary	-0.7	1.6	-5.0	5.4	7.5	-0.5
Telecom Services	-0.8	2.4	-0.5	-1.4	8.8	-16.4
Health Care	-1.3	2.8	-3.8	10.8	3.6	4.7
Banks	-1.5	5.5	-7.3	-9.3	9.7	-18.4
Financials	-2.0	5.0	-6.6	-5.9	7.0	-14.7
Materials	-2.0	0.9	-5.7	-8.7	3.8	-16.4
Energy	-3.9	1.8	-9.2	-6.5	8.7	-20.5
S&P 400 Mid Cap	0.3	6.6	-2.9	2.5	11.0	-12.5
S&P 600 Small Cap	0.2	5.4	-5.5	4.7	10.7	-9.8
S&P 100 Large Cap	-0.6	3.5	-5.2	3.7	6.3	-5.9
S&P 500	-0.5	4.7	-4.0	4.4	7.5	-6.2

TSX Sectors

Cons Staples	3.4	5.2	10.3	14.6	7.2	0.6
Information Technology	2.2	11.5	7.6	24.0	12.9	12.5
Utilities	2.0	6.5	5.7	3.2	8.3	-13.4
Gold	1.3	9.8	18.8	5.7	4.4	-7.2
Materials	0.8	8.7	9.2	3.4	6.7	-10.6
Financials	0.8	7.2	0.7	0.0	8.5	-12.6
Industrials	0.7	6.1	-1.1	10.6	8.0	-3.9
Telecom Services	0.7	4.4	5.6	8.0	5.5	-5.3
Banks	0.6	7.8	1.4	1.0	8.9	-11.4
Cons Discretionary	-0.1	6.4	-1.2	-4.9	9.7	-17.7
Health Care	-0.5	34.2	1.0	36.2	44.9	-16.6
Energy	-1.2	3.0	-4.4	-2.5	9.0	-21.5
Income Trusts	2.9	7.8	2.8	8.7	10.3	-7.0
REITs	1.9	7.2	4.3	14.4	8.9	0.9
S&P/TSX Mid Cap	1.1	8.1	1.7	0.5	11.0	-15.2
S&P/TSX 60 Large Cap	0.6	6.5	1.6	4.6	8.4	-10.5
S&P/TSX Small Cap	-0.2	3.9	-2.3	-7.4	7.2	-20.1
TSX	0.7	6.9	1.7	3.6	9.0	-11.6

Source: Bloomberg, as of 2:00 pm

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