

Q1 Recap: Catching A Lift

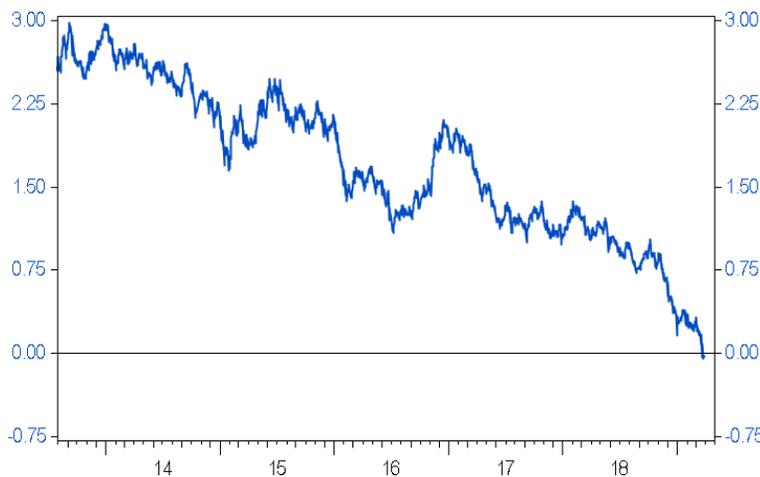
Equity markets posted modest gains this week, alongside mixed economic data and a continued downdraft in bond yields. The S&P 500 rose 1.2%, led by industrials and materials, while the hyped Lyft IPO was a distraction (at least for a day) from more mundane things like yield curves and PCE deflators. The TSX rose 0.1%, with a much stronger-than-expected January real GDP print supporting the Q1 growth outlook. With that, the first quarter has wrapped up, and it's been an eventful one to say the least. Here are some of the key themes:

Market Performance as of March 29, 2019

	Current Price	Performance (percent)					2018
		1 Week	1 Month	3 Months	1 Year	YTD	
Dow Jones	25,929	1.7	-0.4	12.4	7.6	11.2	-5.6
CAC 40	5,351	1.5	1.6	14.4	3.5	13.1	-11.0
DAX	11,526	1.4	-0.7	9.2	-4.7	9.2	-18.3
S&P 500	2,834	1.2	1.1	14.0	7.3	13.1	-6.2
NASDAQ	7,729	1.1	1.8	17.4	9.4	16.5	-3.9
China CSI 300	3,872	1.0	3.3	28.6	-0.6	28.6	-25.3
FTSE 100	7,279	1.0	2.4	8.1	3.2	8.2	-12.5
S&P/TSX	16,102	0.1	0.2	13.2	4.8	12.4	-11.6
NIKKEI 225	21,206	-1.9	-1.8	6.0	0.2	6.0	-12.1

Source: Bloomberg

U.S. Yield Curve
10-year minus 3-month (%)



quarter—S&P consumer discretionary, industrials and materials have been roughly flat on average, while consumer staples were at the front of the pack, up 3.8%.

Banks pressured: Lower rates and a flattening yield curve have taken a chunk out of bank stocks. The sector was still up a solid 8% in the U.S. in Q1, but that lagged the broad market, and the group gave back more than 5% in the past month (worst performer). In Canada, softer housing and credit growth conditions have re-awakened the short Canada trade. The flip side is that rate-sensitive sectors have performed well, with utilities and REITs posting near-15% gains in Canada on the quarter.

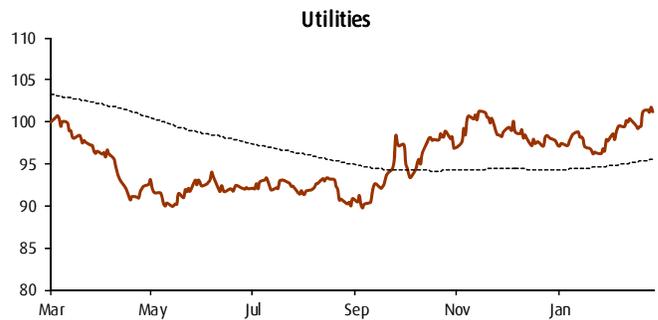
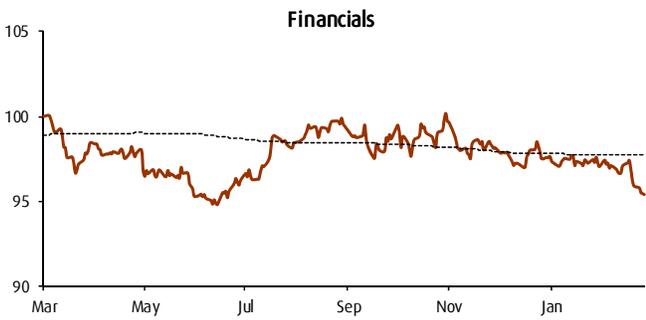
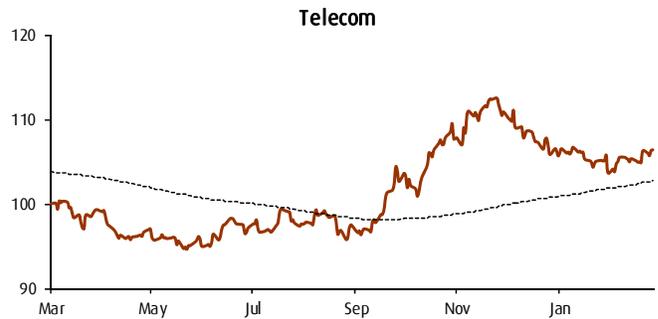
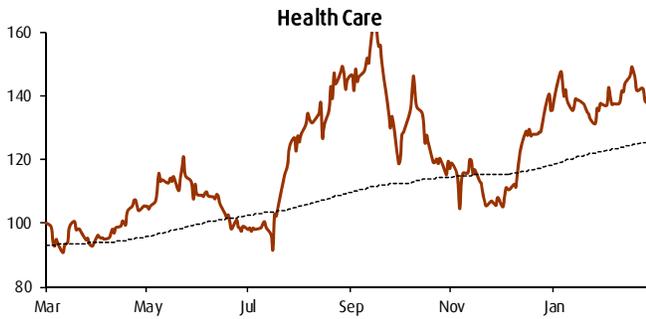
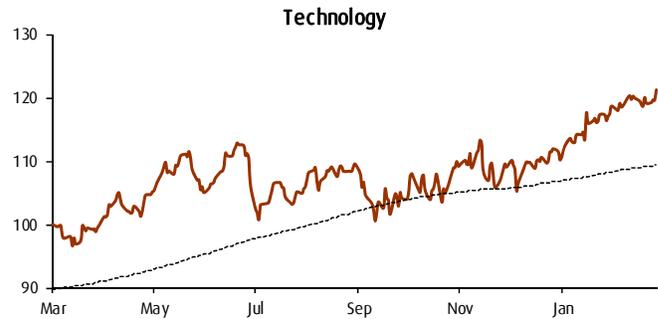
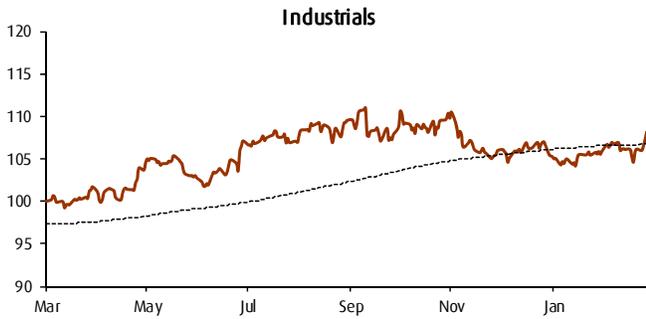
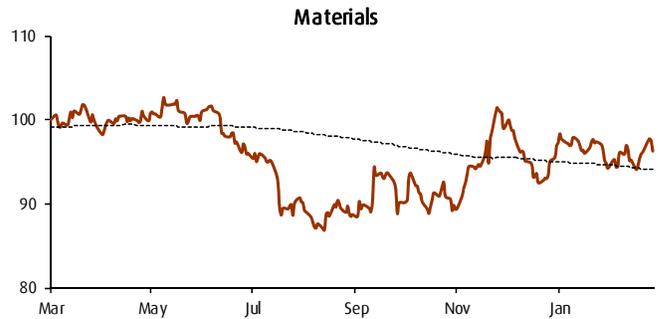
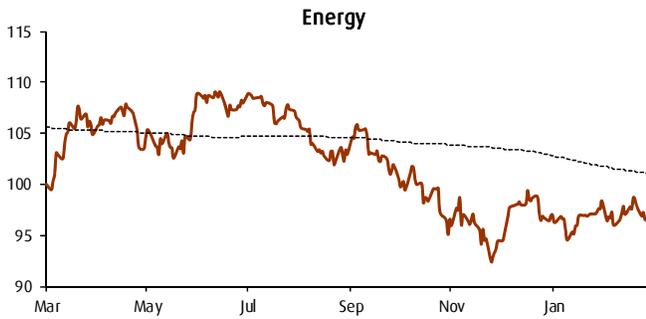
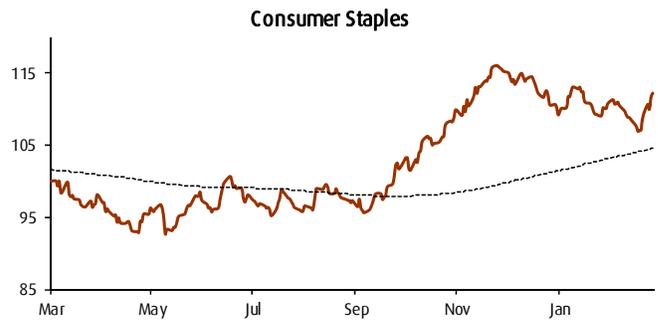
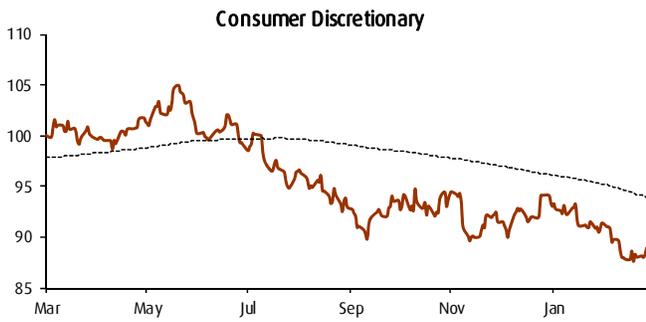
key themes:

All rise: You don't see this too often—every major market on our board and every major sector in North America posted a positive return in the first quarter. This largely reflects a wide-ranging snapback from the deep selloff that ended just before the turn of the year. China has led the advance, up nearly 30% on trade optimism, while technology has led the pack in both Canada and the U.S.

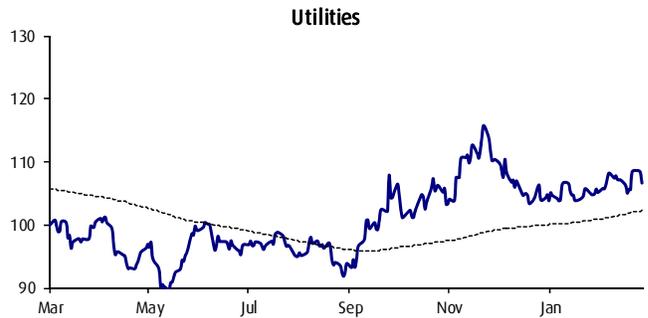
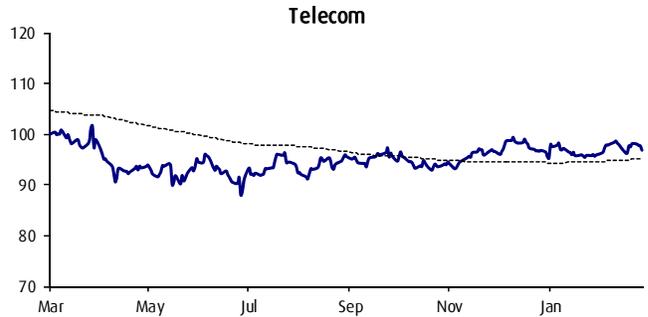
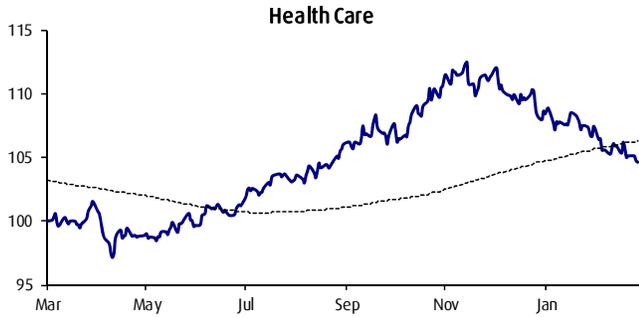
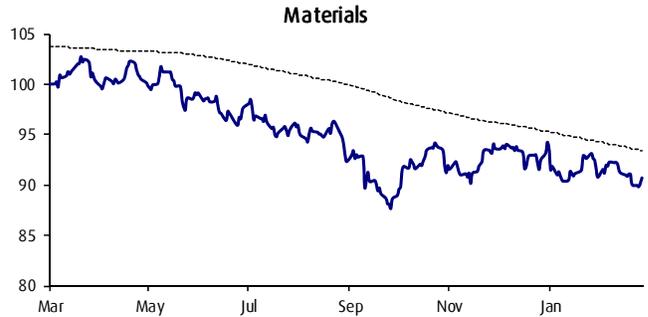
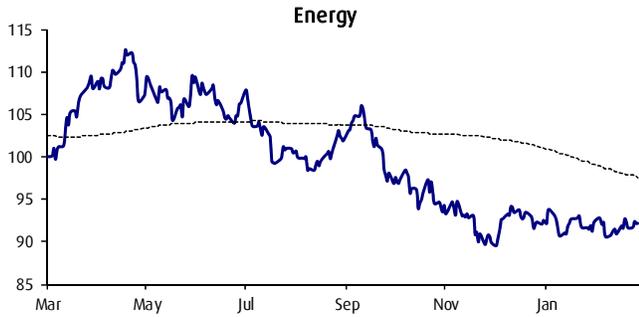
Flock of doves: A big shift in monetary policy expectations was probably the most important theme of Q1, with the market now fully pricing out rate hikes (some odds of a cut) in the U.S. and Canada. The Fed itself has turned more dovish too, with the median forecast in the dot-plot expecting no move this year.

Eyes on inversion: With a sluggish run of data and more cautious central banks, yield curve inversion was the driver of much concern late in the quarter. In Canada (and for a brief moment in the U.S.) 10s fell below the central bank target rate (using the midpoint in the Fed's case). For many investors, this has started the downturn watch. Note the defensive shift in the last month of the

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 March 29, 2019

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2018
Industrials	2.9	-1.3	17.8	1.2	16.6	-15.0
Materials	2.0	1.1	10.6	-2.5	9.7	-16.4
Cons Discretionary	1.8	3.0	16.6	11.7	15.3	-0.5
Banks	1.7	-5.2	9.2	-9.6	8.3	-18.4
Cons Staples	1.6	3.8	11.6	7.1	11.2	-11.2
Financials	1.4	-3.3	9.0	-6.6	7.9	-14.7
Health Care	1.2	-1.0	7.6	12.9	6.1	4.7
Information Technology	1.0	4.0	20.5	13.8	19.4	-1.6
Energy	0.9	0.2	15.9	-1.8	15.4	-20.5
Telecom Services	-0.5	1.6	13.9	4.0	13.6	-16.4
Utilities	-0.5	2.5	10.1	15.2	9.9	0.5
S&P 600 Small Cap	2.2	-4.1	11.7	0.0	11.1	-9.8
S&P 400 Mid Cap	2.2	-1.5	15.2	0.9	14.0	-12.5
S&P 100 Large Cap	1.0	1.6	13.3	8.1	12.4	-5.9
S&P 500	1.2	1.1	14.0	7.3	13.1	-6.2

TSX Sectors

Cons Staples	3.6	2.0	10.8	18.2	10.2	0.6
Information Technology	3.0	3.5	27.3	28.0	25.2	12.5
Industrials	2.1	2.5	15.7	13.7	14.8	-3.9
Cons Discretionary	1.1	-2.5	10.1	-7.0	9.3	-17.7
Telecom Services	0.4	3.0	8.8	11.7	8.8	-5.3
Utilities	0.3	4.0	16.2	6.8	14.7	-13.4
Materials	0.2	2.3	10.1	1.4	8.2	-10.6
Financials	-0.6	-1.7	9.9	-0.1	9.4	-12.6
Banks	-1.5	-3.2	7.2	-2.3	7.1	-11.4
Health Care	-1.6	1.6	45.9	44.0	48.9	-16.6
Energy	-1.7	-2.1	15.2	0.2	14.4	-21.5
Gold	-1.8	4.3	7.6	5.8	5.5	-7.2
Income Trusts	1.0	4.6	17.5	11.1	16.3	-7.0
REITs	0.4	3.6	14.8	15.4	14.4	0.9
S&P/TSX 60 Large Cap	0.1	0.1	12.2	5.6	11.7	-10.5
S&P/TSX Mid Cap	-0.1	0.5	16.5	2.5	15.0	-15.2
S&P/TSX Small Cap	-1.2	-1.8	11.8	-4.2	10.0	-20.1
TSX	0.1	0.2	13.2	4.8	12.4	-11.6

Source: Bloomberg

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