TD Wealth

Monster Inside

Monthly Perspectives // July 2019

15 minutes

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TD

What's behind that door?

Brad Simpson, Chief Wealth Strategist, Head of Portfolio Advice & Investment Research, TD Wealth

Let's try this as an exercise. Imagine you are a casual investor, meaning you are not obsessed with financial markets. You don't have three or four 60-inch TVs filtering market news 24/7 into your working/living space. You haven't purchased so many data packages that your internal finance team is accusing you of expense creation similar to that of a Nordic country. And perhaps your everyday speech doesn't include phrases like "trading with a 5 handle" or "talking my book" or "picking up pennies in front of a steamroller." No, you are just a normal person with healthy interests who invests for the long term, but who likes to check in from time to time to see how the world of investments is doing.

It's been six months since you last checked in, and you're a little nervous because, in January, the world was still mired in a global market correction. So, with some trepidation, you start doing some poking around on the internet to see what's been happening. Pretty quickly you discover that some very troubling developments have unfolded over the past six months:

Geopolitical tensions have heated up. The trade war between China and the U.S. has escalated, with tariff threats and sanctions ratcheting up. Relations between the U.S. and Iran have worsened significantly after the downing of an American spy drone. And the British seem to be leaning toward a "hard Brexit" that would force them to leave the European Union without a trade or customs deal.

The global economy has begun to slow. Sluggish economies in Europe and Asia have forced central banks to backpedal on their plans to raise rates from "emergency" levels. Meanwhile, leading indicators, such as purchasing manager indices (PMIs), have fallen close to 50 (below which an economy is generally thought to be in contraction). Global industrial production is slowing, and global trade is in decline.

Earnings for many public companies have weakened. Consensus estimates for second-quarter earnings call for a contraction of 2% compared to the same period last year. Manufacturing and non-manufacturing PMIs from the Institute for Supply Management (ISM), which are strongly correlated with S&P 500 earnings, have fallen to their lowest levels since 2016.

The yield curve has inverted. Simply put, in May maturities, short-term interest rates have risen above longer-term ones. While there has been a lot of talk about what this may mean for the markets, it's undeniable that every recession in the U.S. for the past 50 years has been preceded by an inversion of the U.S. Treasury yield curve, and the popular wisdom is that an inversion signals a recession within two years.

The amount of negative-yielding bonds has skyrocketed. Ten-year yields in Japan, Germany, Austria, Sweden and France are all below zero. (In other words, you have to pay these countries to have them hold on to your money!) In total, the value of negative-yielding bonds has risen to US$13 trillion (Figure 1). According to Bank of America Merrill Lynch, there are, as of July 12, more than 14 companies with junk bonds worth some 3 billion euros that are trading with a negative yield[1]. Buying these bonds is the equivalent of lending money to a fiscally irresponsible sibling and paying them interest (!) while you wait to get your money back.

Figure 1: Negative Yielding Global Debt (US$ Trillions)

Source: Bloomberg Barclays Global Aggregate Negative Yielding Debt Index. As of July 18, 2019.

Europe is slow and has limited policy flexibility. Mario Draghi, the outgoing president of the European Central Bank, said last month that officials will need to add monetary stimulus if the economic outlook doesn't improve. The German Ifo Business Climate Index fell by 0.5 points from a month earlier, to 97.4 in June 2019, its lowest level since November 2014.

Trump. Well Trump has been Trump. 'Nuff said.

Wow, that is some scary stuff. If you had to guess how equity and fixed-income markets have performed over this period, what would you think? Would you open the green door for gains or the red door for losses? (Brace yourself.)

1 "Oxymoron Alert: Some 'High Yield" Bonds Go Negative. Wall Street Journal, July 14, 2019.

Welcome to uncharted territory

Surprise! It's gains. Seriously, the table below (Figure 2) is recreated from my FactSet terminal, where I have a bunch of world market indices listed in a row. Year to date, ending July 19, they are all up—*and many of them by a lot!* All except one, that is: the FTSE Bursa Malaysia KLCI. This is the only one you would find behind the red door, but I'm pretty sure there aren't too many folks reading this month's *Perspectives* who are long the one down position (investment person speak for owning something).

Figure 2: World Market Indices Performance

Security Name	Last	YTD % Change
Americas		
DJ 30 Industrials Average	27,239.33	16.77%
eMini Dow ($5) (CBT) Contin	27,238.00	17.06%
S&P 500	2,988.10	19.20%
S&P 500 (CME) Continuous	2,990.60	19.38%
NASDAQ Composite	8,181.16	23.30%
S&P TSX	16,506.99	15.25%
Russell 1000	1,655.83	19.62%
Brazil Bovespa	103,623.66	17.91%
Mexico S&P/BMV IPC	41,710.76	0.17%
FTSE MIB	22,090.81	20.56%
Europe		
Germany DAX (TR)	12,260.07	16.11%
ISEQ All-Share	6,267.36	14.37%
Norway Oslo All-Share TR	961.45	6.56%
OMX Stockholm 30	1,605.42	13.96%
Belgium BEL 20	3,652.42	12.60%
Switzerland SMI (PR)	9,937.03	17.89%
FTSE 100	7,508.70	11.60%
France CAC 40	5,552.34	17.37%
STOXX Europe 50 (EUR)	3,186.63	15.46%
Netherlands AEX	571.84	17.21%
FTSE MIB	21,641.46	18.10%
Spain IBEX 35	9,170.50	7.38%
Asia		
Hang Seng	28,765.40	11.30%
FTSE Strait Times	3,377.96	10.08%
China Shenzhen A Share	1,631.69	23.09%
Nikkei 225	21,466.99	7.26%
Indonesia JSX	6,456.54	4.23%
Korea KOSPI	2,094.36	2.61%
India S&P BSE SENSEX	38,337.01	6.29%
Taiwan TAIEX	10,873.19	11.78%
ASX All Ordinaries	6,786.20	18.86%
FTSE Bursa Malaysia KLCI	1,658.19	-1.92%

Source: FactSet, as of July 19, 2019.

Lucky or smart (or perhaps a bit of both), this is kind of the situation that the Wealth Asset Allocation Committee (of which I am a member) thought we would be when we positioned ourselves six months ago. At that time, we made the following predictions:

1. Global growth would be slow, but we would not experience a recession in North America, and so corporate earnings would continue to grow, albeit slowly. So far this is precisely what has transpired.

2. Central banks would become increasingly accommodative. Check again.

3. Valuations were attractive after the Q4 sell-off. Check again.

We also thought that the widening of credit spreads that occurred at the end of 2018 presented a real buying opportunity for corporate bonds in 2019. So far so good with that assessment as well.

In general, corporate bond markets delivered very positive total returns thanks to falling yields (bond prices rise when yields fall). Higher-quality bonds (i.e., investment grade) and high-yield bonds both benefitted as spreads narrowed and yields fell.

The bottom line is, last year the consensus arguments underestimated the impact of tighter monetary policy and higher yields, while in 2019 the reverse has been true.

So, what do the next six months hold in store for equity and fixed-income markets? We at PAIR will leave the prognostications and pronouncements to others. While it may be tempting to think you can predict market movements based on geopolitical and macroeconomic headlines, a singular focus on the concerns of today can lead to poor outcomes tomorrow, whereas process-driven, thoughtful decision-making should over time lead to better overall results.

Instead of letting the news distract us and pull us away from our convictions, we have an investment philosophy, Risk Priority Management, that continues to provide the ballast for all we do.□

Climbing a wall of worry

Christopher Blake, Senior Portfolio Manager, Portfolio Advice & Investment Research, TD Wealth

"Sometimes the light's all shining on me
Other times I can barely see
Lately it occurs to me
What a long strange trip it's been."

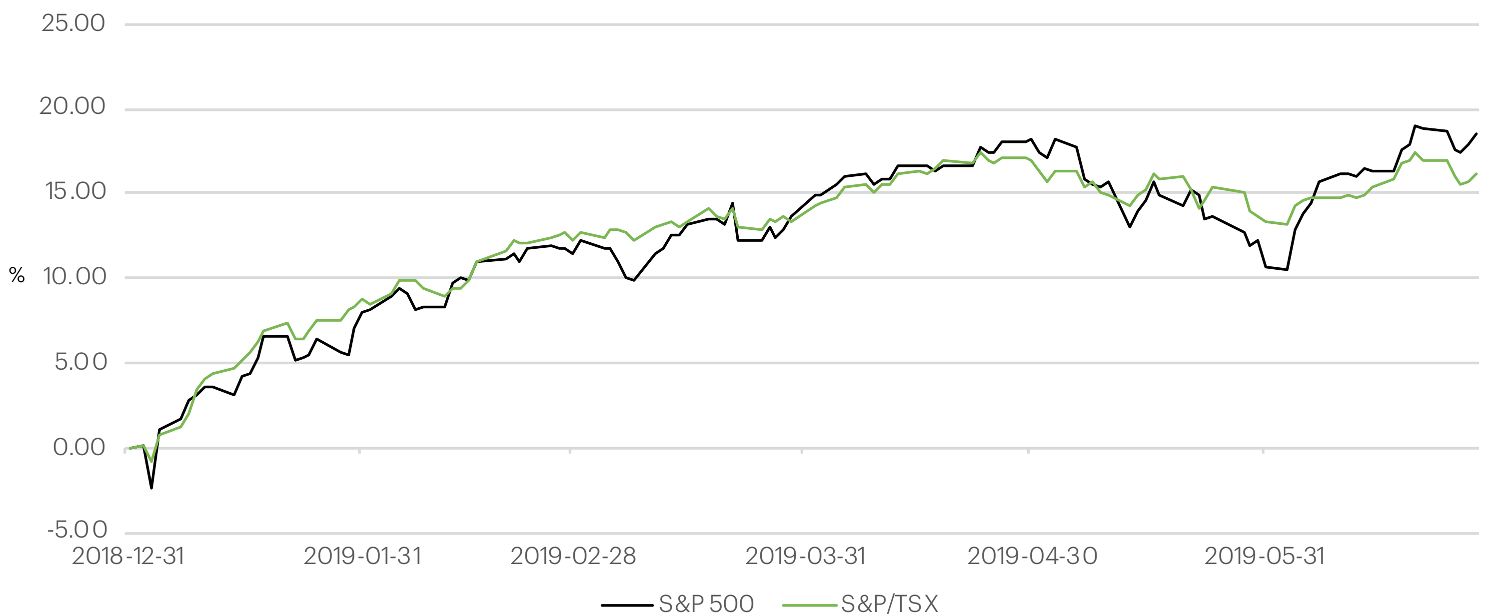
For some reason, as I sit to collect my thoughts on the market, what I cannot leave behind is the song *Truckin'* by the Grateful Dead—mainly because the market so far this year has been on a bit of a "long strange trip."

It seems a lifetime ago that I wrote about the market's attempt to price in the next recession as it worried about the effect of trade disputes and monetary policy, which had been tightening. Less than two months after penning that piece, the market decided that it had had enough of going down; it was now time to start pricing in the recovery from that recession (one that, for the record, has not been sighted), given that the U.S. Federal Reserve would inevitably ride in to the rescue (because that's what the Fed does now apparently).

To be sure, economic indicators have started to look a little more tired, and inflation has yet to rear its head in any meaningful way. Earnings growth is weak in 2019, but that was to be expected given the strong growth we saw in 2018. First-quarter earnings showed growth of just under zero (-0.2%) according to FactSet, and the forecast for Q2 is -2.6% (compared to a forecast of -0.7% released on March 31, before Q1 earnings came in). Third-quarter earnings growth is currently estimated at -0.5%. But have no fear! In the fourth quarter, FactSet is forecasting a roaring comeback, with earnings growth of 6.2% (if current estimates hold).

Layered on top of the Fed dynamic and weak earnings estimates, we've seen a sentiment seesaw on the trade wars. (They're on, they're off. Let's hit China with an additional round of tariffs. No, wait, let's hit Mexico instead. No, we're not going after Mexico, let's take aim at Europe. ... You get the idea.) And, quite apart from the trade wars, the first half of 2019 came perilously close to real war, with international confrontations involving military equipment. Russian jets skirted U.S. airspace, Iran shot down an American spy drone, and Chinese fighter jets buzzed a Canadian frigate. To add to all this, we have political instability in Hong Kong and Turkey, and looming concerns over Brexit.

Figure 3: S&P 500 vs. S&P/TSX Composite



Source: Bloomberg Finance L.P. as of June 28, 2019; total return, native currency

They say that bull markets must climb a wall of worry, and what I have shown in the last couple of paragraphs is that there are plenty of things to worry about as the stock markets produced some fine returns through the first half of the year. The S&P 500 gained 18.5% on a total-return basis in the first half of the year, while S&P/TSX gained 16.2% on a total-return basis.

In Toronto, it was the information technology sector leading the way at just over 43% total return, while the health-care sector finished runner up with a 35.2% total return. On the losing side in Canada, the worst sector was telecommunications, with a 9.7% total return, and second worst was consumer staples, which returned a total of 12.4%.

In the United States, the leading sectors were information technology (27.1% total return) and consumer discretionary (21.8%). On the losing side, it was the health-care sector in last place, with a total return of just 8.1%, and energy in the second worst position, with a 13.1% total return. It's interesting to note that the spread between the winning and losing sector returns was greater for the S&P/TSX than it is for the S&P 500.

The second half of this year looks like a continuation of uncertainty

So, what are we thinking for the second half of this year? Well, a continuation of uncertainty for one thing. None of the issues noted above have been resolved. The U.K. remains in turmoil over Brexit and the Conservative Party has just elected the controversial Boris Johnson to replace Theresa May. In America, President Trump continues to act capriciously in foreign policy, targeting former allies for criticism and trade actions, while treating traditional enemies with greater respect than they have erstwhile received.

Also in America, there's a debt ceiling and a serious budget deficit to contend with. After nine months of the federal fiscal year, the deficit has grown 23% compared to the prior year as a result of the tax cuts handed out in 2018. There is, in addition, the question of achieving trade agreements, particularly with China. There's the continuation of the slow walk impeachment process. And, finally, there's a question about what sort of guidance we are going to see on second-quarter earnings calls. My guess is that guidance—given all the uncertainty around trade—will not be very solid, and will result in the continuation of estimate downgrades for the full year 2019.

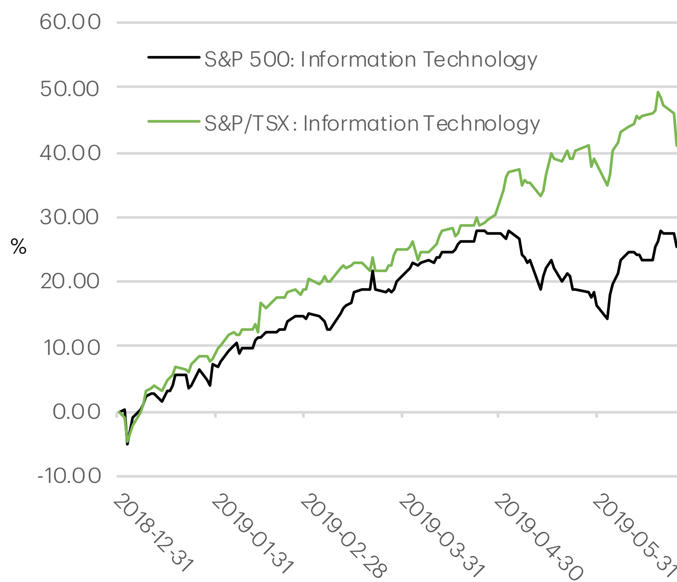
"May you live in *interesting* times." It's an old Chinese curse that wryly entreats one's enemies to experience turmoil, as opposed to peace. Well, these have been interesting times indeed! Let's just hope we can eventually put some of this behind us and "Just keep truckin' on ..."

Review by sector

The following charts have been sourced from Bloomberg Finance L.P. as of June 28, 2019; total return, native currency.

Information Technology

Information Technology: S&P 500 vs. S&P/TSX



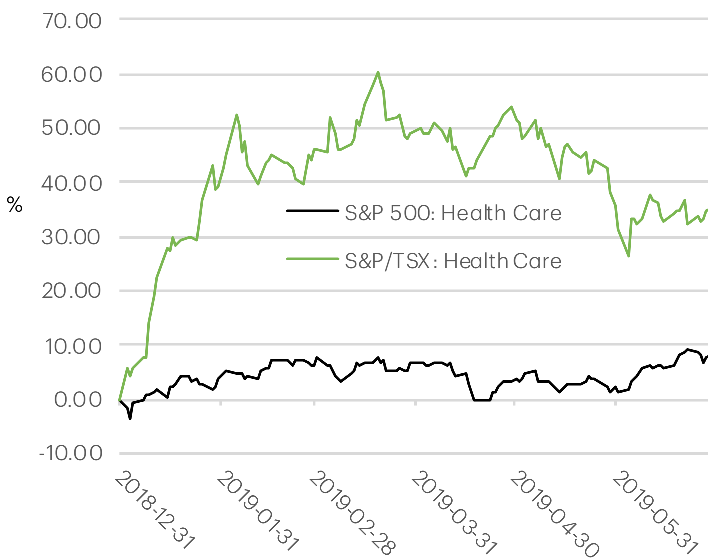
The Canadian IT index outperformed every other S&P/TSX capped index in the first half of 2019, with a 43% return. To a large extent, this was the result of a single equity, the stock with the largest weight in the sector: Shopify Inc., which rose 108.5%. It's difficult to imagine that this momentum can be maintained, given the valuation of that equity. We continue to see IT as a sector that can provide a growth component to portfolios, and we prefer the software and services sub-segment relative to hardware. Despite the strong performance in the first half of the year, there's some reason to be cautious, given the uncertain macro environment. We retain a preference for U.S.-based tech companies, which benefit from a greater diversity of opportunity south of the border, over Canadian ones.

Health Care

The health-care sector in the U.S. underperformed the S&P 500 by close to 11 percentage points on a year-to-date basis (July 5, 2019). Continued sensitivity around drug pricing and other legislative issues could remain a headwind for the sector. From a fundamental perspective, established therapies may feel pressure around cost and pricing; however, those providing breakthrough therapies should continue to benefit from strong demand and a favourable pricing and

reimbursement environment. Opportunities stemming from an aging population should also partially offset cost and pricing pressures. Companies with international operations may face uncertainty in the near term due to the tense trade environment, but over the mid to long term, growing wealth in emerging markets should become a bigger driver of earnings growth. From a valuation perspective, average forward multiples remain below mid-cycle levels. However, sector valuations remain bifurcated, with names either performing at high-single-digit levels or low-double-digit levels depending on the nature of the business. The Canadian health-care sector is dominated by cannabis producers and thus cannot be compared to the U.S. sector.

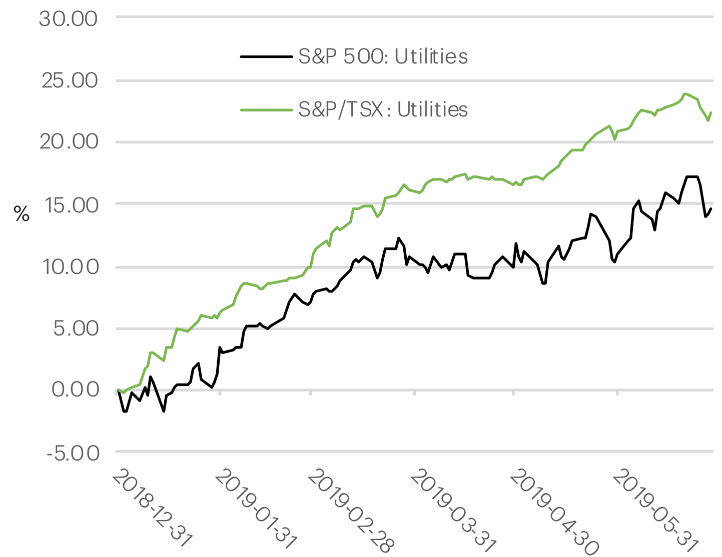
Health Care: S&P 500 vs. S&P/TSX



Utilities

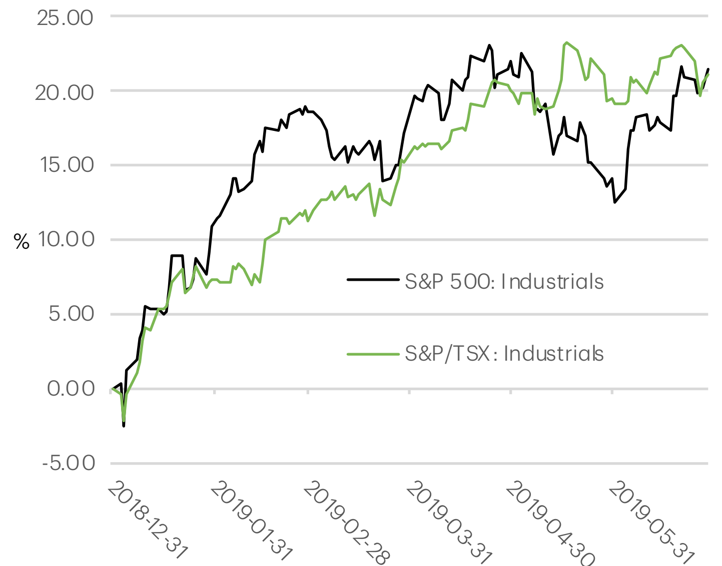
The S&P 500 utilities index rose 14.7% in the first half of 2019, while its Canadian counterpart was up 22.4% over the same period. The sector's performance has been primarily driven by investors looking for safe assets with a stable stream of cash flow, due to concerns about aggressive trade policy and a global economic slowdown. These concerns, echoed by central banks on both sides of the border, have fuelled expectations of lower interest rates for the medium term, which is a positive catalyst for capital-intensive companies such as utilities and pipelines. According to Bloomberg data, the price-to-earnings ratio for U.S. utilities expanded from 17.0x at the end of 2018 to 20.2x at the end of the second quarter, compared to 19.3x for the S&P 500. The performance of Canadian pipeline companies has been in line with that of utilities, despite the regulatory challenges that pipelines have been facing in Canada and the U.S.

Utilities: S&P 500 vs. S&P/TSX



Industrials

Industrials: S&P 500 vs. S&P/TSX

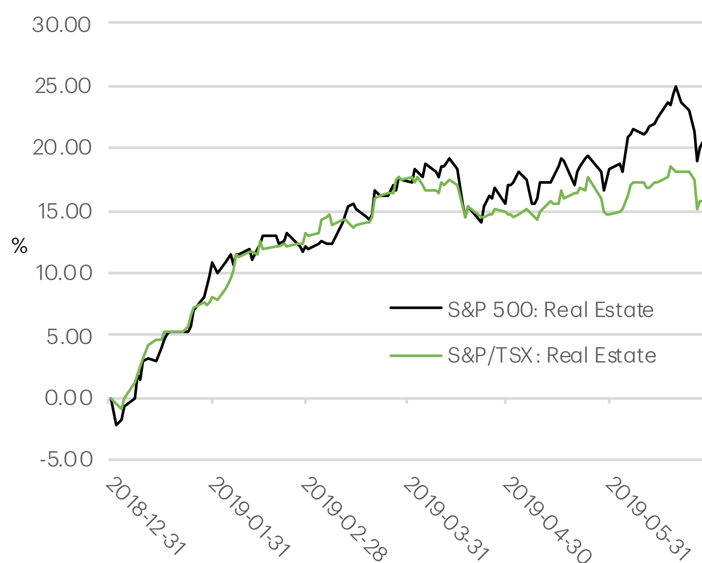


The industrials sector has been a strong outperformer in Canada and the U.S. year to date, despite the challenging economic climate, trade tensions and slowing global growth. In Canada, the aerospace and rail subsectors led gains, partially offset by weakness in the trading companies and distributors subsector and mixed results in commercial services, machinery, and construction and engineering subsectors. In the U.S., the outperformance was led by the aerospace and defense, building products, conglomerates, industrial machinery, and construction and engineering

subsectors, and partially offset by transportation subsectors, including airlines, trucking, and air freight and logistics. By the end of 2018, valuations across the sector had fallen to levels not seen since 2013 and 2016 in the U.S. and Canada, respectively, with investors buying the dips as the U.S. Federal Reserve signalled an end to interest-rate hikes, with more accommodative policy going forward. For the second half of 2019, investors will weigh ongoing trade tensions and a slowing global economy with expectedly lower interest rates in hopes of extending the economic expansion.

Real Estate

Real Estate: S&P 500 vs. S&P/TSX

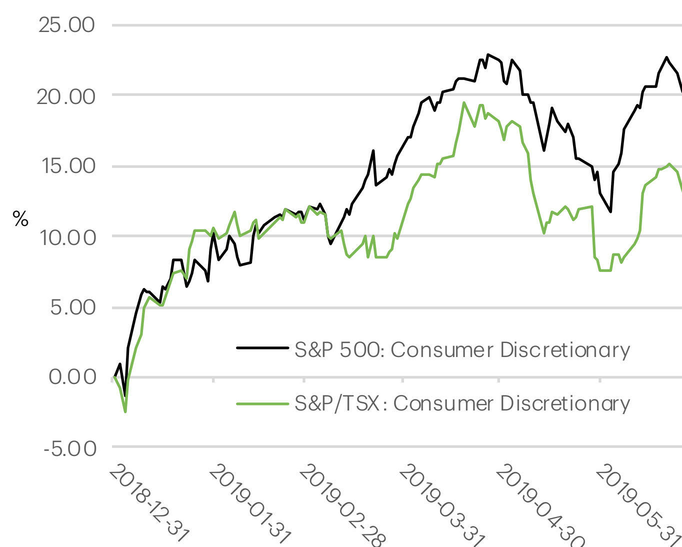


The current outlook for multiple interest-rate cuts have become a tailwind for the sector as the spread widens between real estate investment trust (REIT) yields and government bond yields. In the U.S., the sector has outperformed the S&P 500 by 208 basis points (as of July 5, 2019), returning 21.4% (price return) on a year-to-date basis. With distributions, the outperformance widens. In Canada, real estate has been the fifth best performing sector, rising 15.2% as of July 5, 2019. Valuations remain bifurcated, however, with the apartment and office subsector enjoying valuations at or near recent highs, whereas retail has only started to recover from near-term lows. Balance sheets continue to firm, as Canadian companies focus on tier-one assets in major urban centres, where lower vacancy rates and increasing rents have driven both greenfield and brownfield expansions. That being said, trade-averse legislation continues to present a risk, if it leads to a slower economy or even a "stagflation" scenario—with higher rates, decelerating income and lower employment levels.

Consumer Discretionary

The S&P 500 consumer discretionary sector returned 21.8% in the first half of 2019, outperforming the broader S&P 500 by more than 300 basis points. In Canada, the S&P/TSX sector returned 14.9%, underperforming the broader index by about 130 basis points. To some extent, the outperformance in the U.S. was a reflection of the depth of the drawdown that occurred in the fourth quarter of 2018, when the sector underperformed on both sides of the border on fears that Fed tightening was going to impact consumer spending. In that quarter, the U.S. sector underperformed by 290 basis points; in Canada, the underperformance was just 170 basis points. This sector will be at the whim of macro-economic sentiment. While a rate cut or two should help, it will also bring concerns of a recession back to life; thus the sector is likely to remain vulnerable to swings. The best way to approach the sector is to keep valuation in mind and look for business models that are less vulnerable to disintermediation caused by technology.

Consumer Discretionary: S&P 500 vs. S&P/TSX

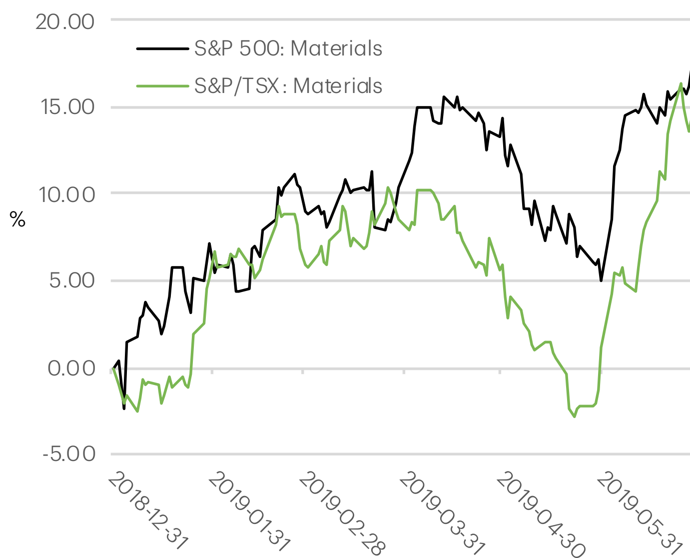


Materials

The materials sector has underperformed the broader indices in Canada and the U.S. year to date, as it faced challenges from the U.S.-China trade war, decelerating global economic growth and a relatively strong U.S. dollar. In Canada, the underperformance was led by the forestry subsector, which was down double digits due to depressed commodity prices stemming from lacklustre demand and oversupply.

This was partially offset by generally strong outperformance among gold producers. In the U.S., chemicals and metals and mining led the laggards, partially offset by relative outperformance by the construction materials and containers and packaging subsectors. In H1/19, the dynamics changed within the sector as the U.S. Federal Reserve shifted course from raising interest rates in 2018 to dialing back projections of further rate hikes in 2019 as it seeks to extend the economic expansion. For H2/19, the shift to a more accommodative monetary policy should provide a more favourable backdrop for gold as bond yields fall alongside interest rates, while the environment for base metals is expected to remain difficult, with a high level of uncertainty around trade and slowing economic growth.

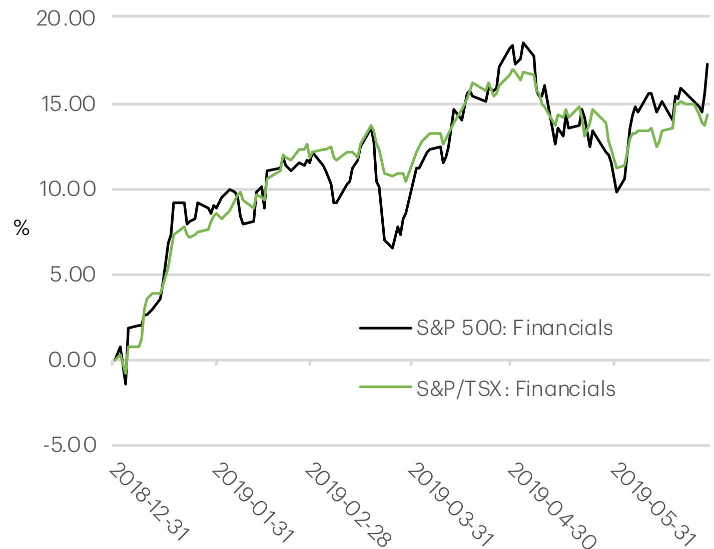
Materials: S&P 500 vs. S&P/TSX



Financials

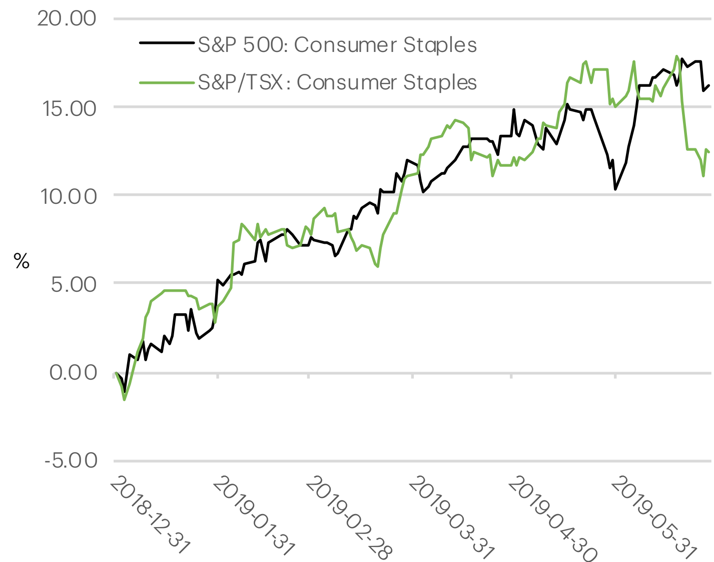
Both in Canada and the U.S., the financial sectors continue to trade at historically depressed valuations and have underperformed the broader indices by a few hundred basis points on a price-return basis (176 bps in Canada and 112 bps in the U.S. as of July 5, 2019). With the central banks' previous, albeit short, tightening cycle, margins had widened out. Currently, the financial markets are pricing in three or four interest-rate cuts, which should narrow margins somewhat going forward. In Canada, continued expense control is expected to remain a positive driver of growth in earnings per share, with expectation of mid-single-digit growth over the next 12 months. Longer term, banks should continue to lower capital ratios and return excess capital to shareholders through dividend increases and share buybacks. Acquisitions, mainly in the U.S., continue to be attractive to some Canadian banks as they diversify their revenue streams outside of Canada. In the United States, the outlook remains in the high-single-digit range for year-over-year EPS growth over the next four quarters. The most recent round of Comprehensive Capital Analysis and Review (CCAR) stress test have allowed U.S. institutions, on average, to increase the return of capital to shareholders in the form of increased dividends or share repurchases. Ongoing international trade disputes remain a secondary issue for the banks.

Financials: S&P 500 vs. S&P/TSX



Consumer Staples

Consumer Staples: S&P 500 vs. S&P/TSX

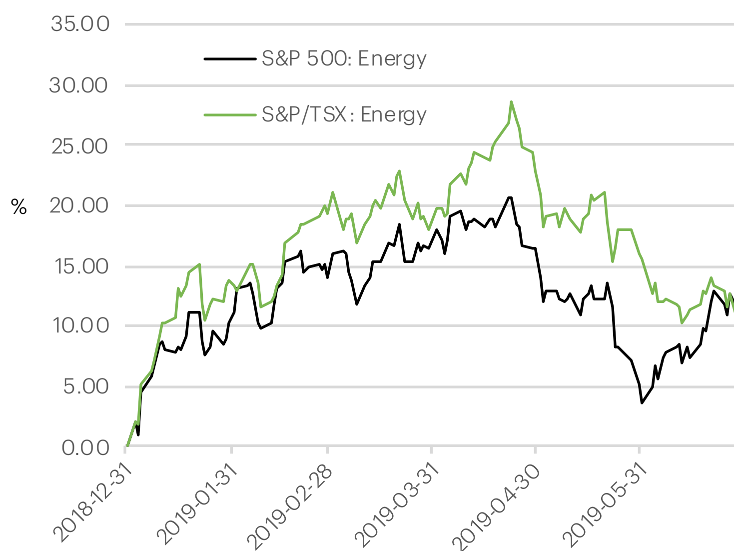


The S&P 500 consumer staples sector rose 16.2%, compared to a 12.4% rise for its Canadian counterpart. Both geographies have seen this sector underperform in the first half of 2019.

In the U.S., we think many companies in the sector are fully valued and fundamentally challenged by slow revenue growth, as competition remains strong and demand weak. Cost structures are challenged by a tighter labour market and rising energy costs. However, some relief on the cost side may be on the way, particularly for companies that are exposed to food commodities, which have seen deflation as a result of trade conflicts that are creating a supply surplus and reducing grain prices somewhat. In Canada, the sector is more reasonably valued. Here also there are trade challenges and cost structure issues; however, the valuations provide a little more cushion. In both geographies, the sector will benefit from any flight to safety if markets become challenged by the macro-environment.

Energy

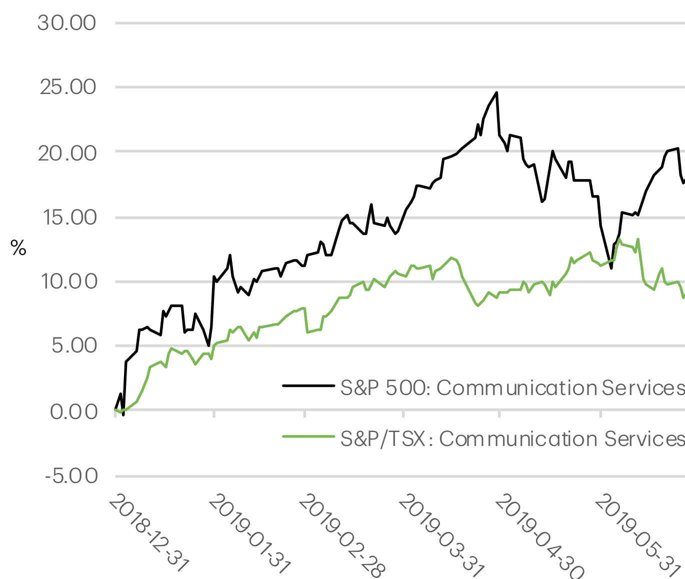
Energy: S&P 500 vs. S&P/TSX



Energy continues to underperform the broader indices in both in the U.S. and Canada. In Canada, the sector has underperformed the S&P/TSX Composite benchmark by 3.89 percentage points, while in the U.S., the energy sector has underperformed the S&P 500 by 5.41 percentage points. The energy sector continues to face issues revolving around provincial and national egress. New pipeline construction approvals and timing remains the single largest topic in the Canadian oil and gas industry. Volatility of oil and gas differentials should remain elevated until the industry has clarity on a long-term viable solution to resolve the egress issues. Sustained production cuts by OPEC and other major oil exporters in recent years have shrunk OECD inventories and buoyed oil prices. Sentiment toward the sector remains at or near all-time lows. Other macro issues currently affecting the sector include: the political infighting between Alberta, British Columbia and the federal government on a number of different fronts; the potential for trade issues to slow global growth and thus erode global oil demand; IMO2020 legislation, which will lower sulphur content in bunker fuel and have an impact on oil demand and pricing; and finally ESG (environmental, social and governance) headwinds, which continue to strengthen, casting a shadow on the oil and gas industry in general and oil sands producers in particular.

Communication Services

Communication Services: S&P 500 vs. S&P/TSX



The S&P 500 communication services sector rose 19.15% in the first half of the year. The Canadian sector was up 9.7% over the same period. Investors' preference for safety has more than offset concerns over potential headwinds facing the sector's three main sub-segments. Telcos are preparing for the rollout of 5G technology, which could potentially create opportunities for top- and bottom-line growth over the long term. However, there are uncertainties around monetization of forthcoming 5G services and customers' willingness to pay a premium for them. On the media side, traditional players are racing to launch their own direct-to-consumer streaming services as they invest heavily to develop content to attract subscribers. In an overcrowded landscape, it remains to be seen whether the industry will be limited to a few large players or whether it will be highly fragmented. And, finally, the owners of the two largest digital advertising platforms, Facebook and Alphabet, together accounting for 45% of the S&P 500 sector, are facing pressure from regulators in the U.S. and Europe over privacy and antitrust issues.

Market performance

		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Canadian Indices ($CA) Return	Index	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs	20 Yrs
S&P/TSX Composite (TR)	57,187	2.53	2.58	16.22	3.87	8.39	4.67	7.47	7.79	6.97
S&P/TSX Composite (PR)	16,382	2.15	1.74	14.38	0.64	5.22	1.58	4.29	4.67	4.34
S&P/TSX 60 (TR)	2,770	2.22	2.98	15.90	4.86	9.51	5.67	8.22	7.64	7.06
S&P/TSX SmallCap (TR)	936	4.34	-0.26	10.42	-8.12	0.15	-1.61	1.82	5.94	-
U.S. Indices ($US) Return	Index	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs	20 Yrs
S&P 500 (TR)	5,908	7.05	4.30	18.54	10.42	14.19	10.71	14.36	14.70	5.90
S&P 500 (PR)	2,942	6.89	3.79	17.35	8.22	11.91	8.46	12.00	12.33	3.88
Dow Jones Industrial (PR)	26,600	7.19	2.59	14.03	9.59	14.05	9.59	10.93	12.15	4.53
NASDAQ Composite (PR)	8,006	7.42	3.58	20.66	6.60	18.24	12.68	16.15	15.87	5.61
Russell 2000 (TR)	7,864	7.07	2.10	16.98	-3.31	12.30	7.06	12.03	13.45	7.77
U.S. Indices ($CA) Return	Index	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs	20 Yrs
S&P 500 (TR)	7,732	3.57	2.15	13.71	9.74	14.42	15.31	18.28	16.07	5.28
S&P 500 (PR)	3,850	3.42	1.64	12.57	7.55	12.14	12.97	15.83	13.67	3.28
Dow Jones Industrial (PR)	34,812	3.71	0.47	9.39	8.92	14.28	14.15	14.73	13.49	3.91
NASDAQ Composite (PR)	10,478	3.93	1.44	15.75	5.95	18.48	17.36	20.12	17.25	4.99
Russell 2000 (TR)	10,292	3.59	-0.02	12.22	-3.90	12.53	11.52	15.87	14.80	7.14
MSCI Indices ($US) Total Return	Index	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs	20 Yrs
World	9,122	6.63	4.20	17.38	6.94	12.39	7.20	11.34	11.33	5.32
EAFE (Europe, Australasia, Far East)	8,070	5.97	3.97	14.49	1.60	9.65	2.74	7.74	7.40	4.45
EM (Emerging Markets)	2,396	6.32	0.74	10.78	1.61	11.07	2.87	4.78	6.17	7.59
MSCI Indices ($CA) Total Return	Index	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs	20 Yrs
World	11,938	3.17	2.04	12.60	6.28	12.62	11.66	15.15	12.66	4.70
EAFE (Europe, Australasia, Far East)	10,561	2.53	1.82	9.83	0.98	9.87	7.01	11.43	8.68	3.84
EM (Emerging Markets)	3,135	2.87	-1.35	6.27	0.98	11.29	7.14	8.37	7.44	6.95
Currency	Level	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs	20 Yrs
Canadian Dollar ($US/$CA)	76.41	3.35	2.11	4.24	0.62	-0.20	-3.99		-1.18	0.59
Regional Indices (Native Currency) Price Return	Index	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs	20 Yrs
London FTSE 100 (UK)	7,426	3.69	2.01	10.37	-2.77	4.51	1.94	4.73	5.74	0.01
Hang Seng (Hong Kong)	28,543	6.10	-1.75	10.43	-1.42	11.13	4.24	8.06	4.50	3.80
Nikkei 225 (Japan)	21,276	3.28	0.33	6.30	-4.61	10.95	7.01	18.17	7.89	0.97
Benchmark Bond Yields		3 Month		5 Yr		10 Yr		30 Yr		
Government of Canada Yields		1.65		1.41		1.48		1.69		
U.S. Treasury Yields		2.18		1.76		1.99		2.51		
Canadian Bond Indices ($CA) Total Return		Index	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	Since 1/1/2012	10 Yrs
FTSE TMX Canada Universe Bond Index		1,120	0.91	4.93	6.52	7.98	8.20	3.88	3.54	4.53
FTSE TMX Canadian Short Term Bond Index (1-5 Yrs)		729	0.14	1.78	2.67	4.32	4.66	1.91	2.01	2.54
FTSE TMX Canadian Mid Term Bond Index (5-10 Yrs)		1,209	0.53	4.24	5.91	15.36	8.35	3.75	3.75	4.98
FTSE TMX Long Term Bond Index (10+ Yrs)		1,916	2.15	9.53	12.09	12.53	12.53	6.62	5.41	7.33

Sources: TD Securities Inc., Bloomberg Finance L.P. TR: total return, PR: price return, as of June 30, 2019.

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