Highlights

- The current US S&P 500 bull market run is now the longest on record
- Canadian bond yields dropped, bringing back positive returns
- Unsettled trade negotiations weighed on Canadian equities.
- Delays to the Trans Mountain pipeline project further diminished sentiment toward Canada's energy sector.

The most hated bull market in history

US S&P500 made history in August by hitting new all-time highs and booking its longest bull market run ever when it crossed over the 3,453- day threshold without a 20% or more correction. It's been dubbed 'the most hated bull market in history'; the 329% climb from its low in March 2009 to August 31, 2018 came amid a near constant litany of worries and threats to investors' confidence (e.g. a hesitant economic recovery, last-ditched emergency stimulus plans and 'flash' corrections). This bull run began from the depths of the country's worst financial crisis, was fuelled by historically low interest rates, unprecedented government interventions, and the emergence of global technology giants. It's possible this bull market's journey will fill the history books more than its milestone destination (S&P 500 makes history, recording longest bull market run ever).

Speaking of record-breaking milestones and global tech giants, Apple became the first fully public company to post a market value above $1 trillion (USD). Close behind, Amazon's market value is at $982 billion (USD). Together the two companies alone make up 7.9% of the full S&P 500 market value.

Pipelines and trade issues create headwinds for Canada

Canada's stock market didn't keep up to its highfalutin, record-hitting southern neighbour. In spite of impressive economic and corporate earnings strength on both sides of the border (and a big rise in Canadian cannabis stocks to boost our small Health Care sector), Canada faced market-chilling headwinds in August. Two specific issues fanned investors' worry in Canada: trade uncertainty and oil pipeline constraints.

Market Summary

Canadian Fixed Income[1]	Month	YTD
FTSE TMX Canada Universe Bond Index	0.8%	0.6%
FTSE TMX Canada All Corporate Bond Index	0.8%	1.0%

Canadian Equities[2]	Month	YTD
S&P/TSX Composite	-1.0%	0.3%

	Month		YTD	
Global Equities[2]	Local	CAD	Local	CAD
S&P 500	3.0%	3.4%	8.5%	13.2%
MSCI EAFE	-1.9%	-1.8%	-2.2%	-0.2%
MSCI Emerging Markets	-0.7%	-2.5%	-3.5%	-5.0%

Currencies and Commodities (in USD)	Level	Month	YTD
CDN $	$0.767	-0.3%	-3.6%
Oil (West Texas)	$69.80	1.5%	15.5%
Gold	$1,200.10	-2.1%	-7.9%
Reuters/Jeffries CRB Index	$192.96	-0.8%	-0.5%

Canadian Sector Performance[2]	Month	YTD
Energy	-4.0%	-0.4%
Materials	-8.2%	-9.6%
Industrials	0.6%	11.4%
Cons. Disc.	-3.7%	-1.7%
Info Tech	5.1%	25.5%
Health Care	28.4%	15.1%
Financials	1.1%	-0.1%
Cons. Staples	-1.7%	-4.2%
Telecom	-0.9%	-4.4%
Utilities	-1.3%	-9.1%
Real Estate	1.9%	6.4%

Local currency unless otherwise stated.
[1]Total return [2]Price only return
Source: Bloomberg

NAFTA negotiations drag on

News that the U.S. and Mexico trade talks had ended with an agreement in principal between Mexico and the US started a chain reaction of concern that Canada could be excluded from a new NAFTA. Canadian and US trade talks resumed with zeal, but ended the month with no deal worked out for Canada (neither bilaterally with the US, nor trilaterally with all three countries). This passing of a President Trump-declared deadline at the end of the month only adds to the uncertainty. While there remains a path to a deal that includes Canada, or a separate deal for Canada, in the near-term, it does represent challenges and business instability that dampened the short-term fortunes of the S&P/TSX Composite. In response, Canadian bond yields declined, which helped Canadian fixed income returns move back into positive territory.

Pipeline progress gets plugged up

Investors fled from the Canadian energy sector as news emerged that the Federal Court of Appeal quashed cabinet approval of the Trans Mountain pipeline expansion project. The decision was largely unexpected and considered negative for the Canadian economy in general, and in particular for the Canadian energy sector.

For years, pipeline constraints have been a major factor in the discounting of Canadian oil prices. Now, facing an inevitable delay in the Alberta-based project, the Canadian oil industry sees further challenges to its efforts to expand into foreign markets beyond the US. Over the last five years Canadian-sourced Western Canada Select (WCS) oil has been valued at an average discount of $17 (i.e. the price differential) versus US-sourced West Texas Intermediate (WTI) oil. Shortly after the Federal Court of Appeal announcement late in August, Canada's oil discount differential blew-out to $27/bbl – further challenging profitability of Canadian oil companies.

Likewise, the announcement is a hit to Canada's reputation in the eyes of investors. Canada's inability to see through a major infrastructure project (especially one that appeared to have the additional certainty of being owned and endorsed by the Federal Government) calls into question the hospitable landscape for Canadian businesses.

Today, while the Trans Mountain Expansion pipeline delay and the ongoing NAFTA negotiations are clouding investors' ability to make an appropriate risk-reward assessment for Canadian businesses, longer term, investors will still look to stock fundamentals – like strong corporate earnings and reasonable valuations – as businesses respond to overall global growth prospects, which remain relatively strong.

> To argue against the global economy is like stating opposition to the weather - it continues whether you like it or not

John S. McCain (1936-2018) American politician and military officer.

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