



Highlights



Market volatility continues with 8 days of +1% equity moves for the S&P 500.



Bond yields dropped as investors moved to risk-off positions.



Oil prices plummeted more than 20% on global growth concerns and strong supply data.



Trade remained a headline issue/worry as U.S./China negotiations continue.

November's month-end result of 1% returns for Canada's broad equity and bond indices mask the significant volatility within the month. Slowing economic growth, difficult trade negotiations, falling oil prices and dropping bond yields were the primary drivers of market volatility.

The jelly (market volatility) in the middle

Equity markets sandwiched the start and end of November with relatively strong results. However, with 8 days of greater than 1% moves on the S&P 500, it was the jelly (i.e. market volatility) in the middle of the month that proved to be sticky for investors to get through. Investors have recently been on edge, no longer willing to overlook disruptive news and are more sensitive to issues that could dampen economic growth.

A strengthening U.S. dollar and dropping commodity prices did a number on Canada's resource-based equities (though our materials sector was aided by gold's flight-to-safety attraction). Oil prices, in particular, suffered dramatic 20%-plus losses in November as rising supply data, a strong U.S. dollar, and the anticipation of slowing global growth pushed that barrel over the edge and down the hill. Canada's small health care sector suffered the largest absolute loss on the back of dropping cannabis stock values. As investor anxiety grew, there was a shift to defensive and dividend paying equities which in turn benefitted the consumer staples, communication services and financials sectors. Within the Canadian fixed income landscape, the safety trade was also apparent. The highest credit quality sectors (i.e. government bonds and high credit-rated corporate bonds) significantly outperformed the lower credit-rated corporate and high-yield bonds.

Market volatility and sector return divergence are common hallmarks of the later stages of the market cycle. Passive investment strategies, where 'owning the index' means no discernment between stocks of widely different risk/return

Market Summary

| | | Month | YTD |
|--|--------------|--------------|------------|
| Canadian Fixed Income¹ | | | |
| FTSE Canada Universe Bond Index | | 1.0% | 0.1% |
| FTSE Canada All Corporate Bond Index | | 0.4% | 0.0% |
| Canadian Equities² | | | |
| S&P/TSX Composite | | 1.1% | -6.2% |
| | | Month | YTD |
| Global Equities² | | Local | CAD |
| S&P 500 | | 1.8% | 2.9% |
| MSCI EAFE | | -0.4% | 0.8% |
| MSCI Emerging Markets | | 2.9% | 5.2% |
| | | Local | CAD |
| | | 3.2% | 9.6% |
| | | -7.9% | -6.3% |
| | | -9.7% | -8.8% |
| Currencies and Commodities (in USD) | | | |
| | Level | Month | YTD |
| CDN \$ | 0.753 | -1.0% | -5.4% |
| Oil (West Texas) | 50.93 | -22.0% | -15.7% |
| Gold | 1,220.68 | 0.6% | -6.5% |
| Reuters/Jeffries CRB Index | 181.74 | -4.8% | -6.3% |
| Canadian Sector Performance² | | | |
| Energy | | -3.0% | -15.4% |
| Materials | | 0.0% | -15.1% |
| Industrials | | 1.3% | 6.2% |
| Cons. Disc. | | 2.7% | -9.9% |
| Info Tech | | 2.9% | 18.7% |
| Health Care | | -5.8% | 0.1% |
| Financials | | 1.8% | -5.6% |
| Cons. Staples | | 7.6% | 1.9% |
| Comm. Services | | 7.0% | -1.6% |
| Utilities | | 3.8% | -10.3% |
| Real Estate | | 0.1% | 2.1% |

Local currency unless otherwise stated.

¹Total return ²Price only return

Source: Bloomberg



characteristics, bypass opportunities to select only those stocks that represent attractive risk and return qualities (i.e. active management).

The slowdown (in global economic growth)

The anticipated slowdown in global economic growth is a normal part of a full market cycle. Nonetheless, it is often a difficult adjustment for investors.

Slowing economic growth is already apparent in Europe and China. The ongoing challenges of Brexit in the U.K., and political uncertainty in Italy have been recent headwinds. China's GDP growth has already slowed from their red-hot pace. This has largely been anticipated, and even welcomed, as their economic expansion rate was seen by most as unsustainable. The soft landing of Chinese economic growth is exactly what is needed to allow other global economies to adjust. Here in North America, Canadian and U.S. economies are also showing signs of being in the later stages of the economic cycle. Debt levels are elevated, which remains somewhat concerning in a rising rate environment, but both nations are experiencing strong corporate earnings and low employment rates, helping consumers to keep spending and businesses to keep hiring.

The showdown (between the U.S. and its trading partners)

Trade issues with the U.S. remain a preoccupation for Canadian investors from both a domestic and global perspective. Domestically, the recently negotiated USMCA trade deal requires ratification from the U.S. House of Representatives, which recently became majority-held by the Democrats after the November mid-term elections. The Democrats (traditionally less pro-trade than the Republicans) will be reluctant to hand the President a win on anything. Currently, there are more

reasons why the deal should get done than not, but uncertainty has gone up a notch. Arguably the more concerning trade negotiations are happening right now between the world's global economic powerhouses, China and the U.S. Escalating tariffs and trade barriers are almost certain to exacerbate a slowdown in global economic growth; a particular threat to resource-exporting countries like Canada. Often wrong but never in doubt, President Trump's hubris and reactive, unconventional approach to diplomacy adds further uncertainty to the progress of these negotiations.

The lowdown (on falling oil prices and bond yields)

Crude oil prices have corrected sharply, down 22% in November. The recent woes for global oil prices stem somewhat from fears of slowing global economic growth in 2019 and resulting demand concerns, but mainly from gushing global supply. U.S. oil production hit a record 11.6 million bbl/d recently and the U.S. is now the world's largest crude-oil producer, just ahead of Russia. Canadian (Western Canada Select) oil prices were already in a funk, thanks to severe egress issues and recent pipeline construction project setbacks. The Alberta government announced late in November that they're prepared to buy rail equipment to ease oil export bottlenecks. The news is welcome relief, but similar to the Federal government having to own a pipeline, it remains unfortunate the conditions aren't present currently for the private sector to get the job done.

Bond yields also declined sharply in November. This was essentially a domino, risk-off response to the aforementioned weak economic data and sliding oil prices. Adding to the U.S. yield slide were comments from some U.S. Federal Reserve officials highlighting the need to pay attention to slowing global growth and its rate was close to neutral.

Happy holidays from GLC!

From all of us at GLC Asset Management Group Ltd, to all of you - our investors, business partners and friends, we wish you peace, love, and laughter this Holiday Season and throughout the coming year.



"See how elastic our prejudices grow when once love comes to bend them." Herman Melville, Moby-Dick or, The Whale



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