



Highlights



COVID-19's second wave offers up a new round of uncertainty for businesses.



September losses give back some of their summer-time equity market gains.



The Federal Reserve kept their Fed funds target range steady at between 0% to 0.25%.



Oil prices fell on rising concerns over weak global demand if lockdown measures return.

Wake me up when September ends

Green Day was on to something. ***As politics and COVID-19 case counts gained momentum, global markets lost their steam and posted broad declines in September.***

September began with strong stock markets gains, hopes for a U.S. pandemic stimulus bill and the long-awaited re-opening of many schools and businesses.

September ended with stock losses, no stimulus bill, a COVID second wave, the loss of a U.S. Supreme Court icon and an election debate that had more school yard antics in 90 minutes than actual school yards experienced all month. Throw in colder weather and shorter days... Good riddance September!

High-flyers hit hardest

Gravity weighed heaviest on those indices and sectors that saw the biggest run ups earlier in the quarter. After soaring in July and August, the S&P 500 fell nearly 4% in September. Canadian and European summertime gains had been more muted; in turn, so were their September losses.

Over the quarter, European equities have lagged the U.S. markets on weak economic data, speculation that a second COVID-19 wave would lead to lockdowns in metropolitan areas and a looming deadline for determining the terms of Britain's departure from the E.U. September brought elevated concerns on each of these for investors and added to market volatility.

Meanwhile in Canada, the heavily weighed energy sector continued to dog overall Canadian equity market results. Oil prices retreated in September as OPEC lowered its global demand forecasts and the prospects of a return to pre-pandemic demand levels for fossil fuels dimmed.

Market Summary

| Canadian Fixed Income ¹ | Month | QTR | YTD |
|--------------------------------------|-------|------|------|
| FTSE Canada Universe Bond Index | 0.3% | 0.4% | 8.0% |
| FTSE Canada All Corporate Bond Index | 0.0% | 1.3% | 6.8% |

| Canadian Equities ² | Month | QTR | YTD |
|--------------------------------|-------|------|-------|
| S&P/TSX Composite | -2.4% | 3.9% | -5.5% |

| Global Equities ² | Month | | QTR | | YTD | |
|------------------------------|-------|-------|-------|------|--------|-------|
| | Local | CAD | Local | CAD | Local | CAD |
| S&P 500 | -3.9% | -1.9% | 8.5% | 6.0% | 4.1% | 6.8% |
| MSCI EAFE | -1.3% | -0.9% | 0.6% | 1.9% | -11.2% | -6.6% |
| MSCI Emerging Markets | -1.8% | 0.3% | 7.8% | 6.3% | 0.8% | -0.4% |

| Currencies and Commodities (in USD) | Level | Month | QTR | YTD |
|-------------------------------------|------------|-------|------|--------|
| CDN \$ | \$0.751 | -2.0% | 1.9% | -2.5% |
| Oil (West Texas) | \$40.22 | -5.6% | 2.4% | -34.1% |
| Gold | \$1,897.90 | -3.8% | 6.4% | 24.6% |
| Reuters/Jeffries CRB Index | \$148.51 | -3.1% | 7.6% | -20.1% |

| Canadian Sector Performance ² | Month | QTR | YTD |
|--|--------|--------|--------|
| Cons. Disc. | 1.7% | 7.8% | -5.0% |
| Cons. Staples | 7.3% | 8.6% | 9.3% |
| Energy | -11.7% | -9.4% | -38.8% |
| Financials | -3.7% | 2.8% | -15.9% |
| Health Care | -8.6% | -14.4% | -41.2% |
| Industrials | 2.9% | 13.2% | 8.0% |
| Info Tech | -2.5% | 3.6% | 67.6% |
| Materials | -3.1% | 8.8% | 24.5% |
| Real Estate | 0.4% | 2.9% | -19.8% |
| Comm. Services | -1.5% | 0.8% | -10.5% |
| Utilities | 6.0% | 9.9% | 5.8% |

Local currency unless otherwise stated.

¹Total return. | ²Price only return.

Source: Bloomberg.



Growth stocks in general retrenched in September – with the mega-sized tech darlings leading the way down, just as they had led the way up since the COVID market recovery began. As the month wore on, tech’s allure returned somewhat – drawing investors back to the comfort of their secular growth prospects and solid balance sheets. The retreat ameliorated sky-high valuations slightly (they are now just very high – down from very, very high).

While we don’t welcome negative returns any more than the next guy, this rotation across geographies, market capitalization and underlying sectors is exactly the kind of healthy market internals we like to see. While stock prices over the long run have an upward bias, in the short term, two-way price action is healthy – as is seeing money flow to a broader swath of equity markets.

With vaccine trials progressing, we recognize that any positive news in the coming months could be a game changer for markets and potentially lead to a significant rally in some of the stocks that have lagged this year (think airlines, hotels, restaurants, traditional retail).

Lower for longer

Both the Bank of Canada (BoC) and the U.S. Federal Reserve (Fed) kept their overnight interest rates steady (Fed at between 0% to 0.25% and BoC at 0.25%). The Fed reiterated their extremely accommodative stance, citing that policy will be accommodative until both maximum employment and inflation targets are met. While the BoC reemphasized their expectation for a lengthy recovery and that their bond buying (QE) program will continue until the recovery is well underway. This implies low rates will be here for a long while. It’s welcome news for Ottawa, where the Liberal minority government’s Throne Speech promised full use of government fiscal measures to help Canadians through the pandemic. The government pledged, “as long as it lasts, whatever it takes”. This will undoubtedly mean the Federal budget deficit will exceed the already estimated \$343 billion for the fiscal year.

Fixed income investors continue to benefit from the stabilizing attributes of bonds kicking off income (even if at low levels) and price movements that, more often than not, provide welcome offset to equity market weakness.

While September’s bond market returns were flat, they helped keep the stellar year-to-date return of 8% locked in place.

It isn’t just governments ramping up borrowing – corporate bond issuance is smashing records. Year-to-date investment-grade corporate bond issuance (in excess of USD \$2.62 trillion across the globe) has already eclipsed previous full-year records as companies also move to lock in loans at low rates.

Don’t let politics “Trump” your long-term investment plan

As the November 3 U.S. Presidential election approaches, the rhetoric and media coverage continues to ramp up, making it difficult to avoid – even if you tried. From the potential of history of the election of the first female, minority-background U.S. Vice-President in Democratic nominee, Kamala Harris, to the re-election of the ever-controversial Donald Trump, the endless sound bites and posturing are feeding the media machine like a gift that just keeps on giving.

But does any of it matter to long-term Canadian investors? The short answer is no – at least not in terms of warranting any change to their long-term investment plans. History shows broad market performance is more correlated to the economy, business cycle and corporate profits rather than election noise.

[Check out GLC’s latest insight piece on the U.S. election.](#) Chief Investment Strategist, Brent Joyce, offers insight into how U.S. equity markets have behaved historically during election campaigns. He also digs into the political platforms of the two candidates and potential market reaction depending on which party wins the race.

She was quite a lady

“Reading is the key that opens doors to many good things in life. Reading shaped my dreams, and more reading helped me make my dreams come true.”

“My mother told me to be a lady. And for her, that meant be your own person, be independent.”

~ U.S. Supreme Court Justice, Ruth Bader Ginsburg

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