

# Monthly Economic Report



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April 30, 2021

# The goal of mutual funds

All mutual funds seek to earn positive returns for their investors.  
However, we can distinguish between three primary types of mutual funds



## Equity funds

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- Primarily invests in stocks
- Typically purchased for high returns
- Higher volatility



## Fixed Income funds

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- Primarily invests in bonds and interest-paying instruments
- Typically purchased for income and consistency
- Lower volatility



## Balanced funds

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- Invests in a mix of equity and fixed income instruments
- Typically purchased as a centerpiece of a portfolio
- Volatility varies depending on allocation

# Mutual fund categories

All Canadian mutual funds are sorted into categories based on the securities in which the fund can invest. There are 60 categories, some more nuanced and specific than others.

## CIFSC CATEGORIES – EXAMPLES



### Equity categories

- Canadian Equity
- US Equity
- Global Equity



### Fixed Income categories

- Canadian Fixed Income
- Global Fixed Income



### Balanced categories

- Canadian Neutral Balanced
- Global Neutral Balanced



# Distinguishing mutual fund categories

CIFSC Sample Categories	Primary Exposures/Characteristics
<b>Canadian Equity</b>	Canadian domiciled stocks
<b>US Equity</b>	US domiciled stocks
<b>Global Equity</b>	Broad array of stocks worldwide
<b>Canadian Fixed Income</b>	Canadian investment-grade securities
<b>Global Fixed Income</b>	Broad array of investment-grade securities worldwide
<b>Canadian Neutral Balanced</b>	40-60% Canadian equity exposure
<b>Global Neutral Balanced</b>	40-60% Global equity exposure

# + How are mutual funds designed to perform?



## When markets are thriving

- Equity funds are typically designed to outperform fixed income
- Fixed income funds are designed to deliver consistent, but generally lower returns over the long-run



## When markets are struggling

- Equity funds will typically underperform fixed income, given their higher volatility
- Fixed income will typically outperform stocks, given their lower volatility

Balanced falls in between, depending on how much is in equity vs fixed income

Typically, the **higher the volatility**, the **higher the potential for returns** but **the greater the risk**



# Mutual fund recent performance

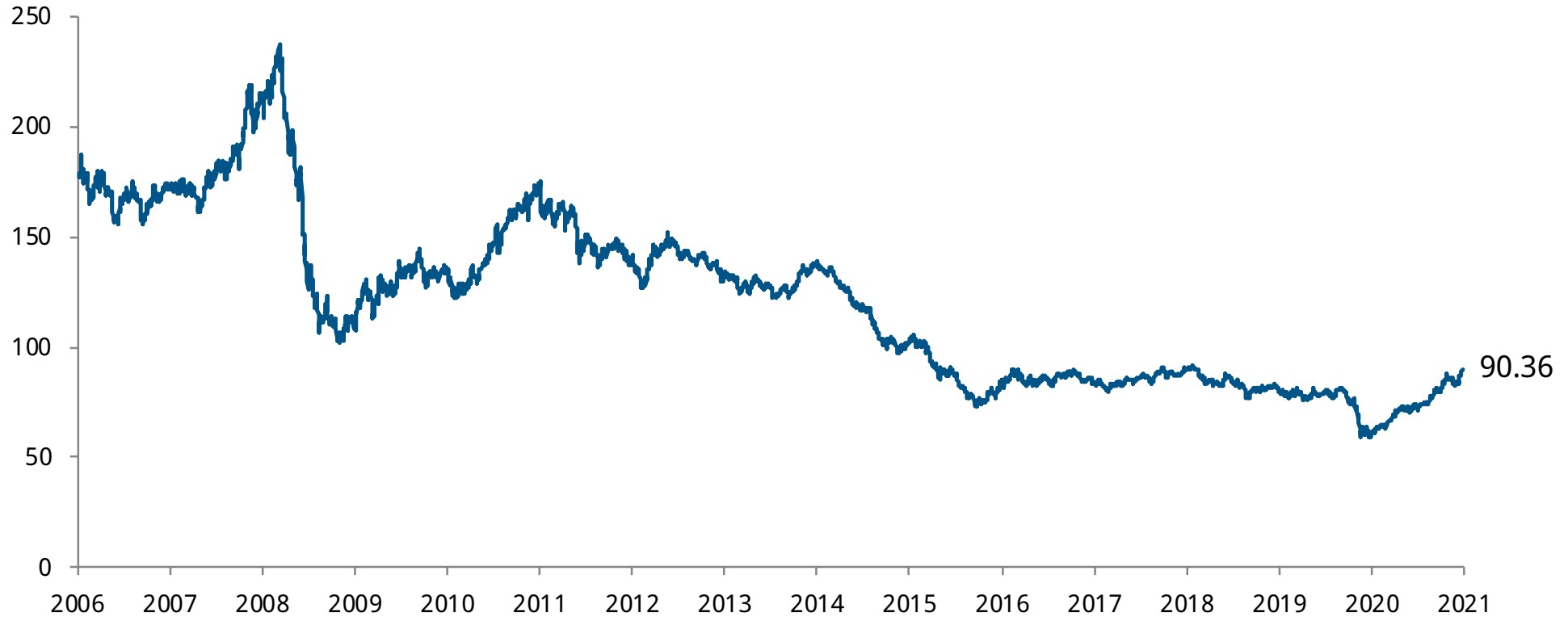
CIFSC Categories	1 Month	Year to Date	1 Year	3 Year	5 Year	10 Year	20 Year
Canadian Fixed Income	0.05	-4.38	-0.65	3.59	2.51	3.11	4.06
Global Fixed Income	0.05	-2.98	0.52	2.75	2.44	3.53	3.26
Canadian Neutral Balanced	1.42	4.02	16.96	6.41	6.01	5.21	4.94
Global Neutral Balanced	1.31	2.45	15.41	6.36	6.54	6.03	4.65
Canadian Equity	2.51	10.76	32.66	8.11	8.02	5.86	6.08
US Equity	3.07	8.19	30.41	13.75	13.71	13.23	4.81
Global Equity	2.12	5.45	27.88	9.83	10.81	9.53	4.40

Source: Morningstar Direct, as of April 30, 2021



# Commodity Overview

## Bloomberg Commodity Index – 15 Year Performance to April 30, 2021

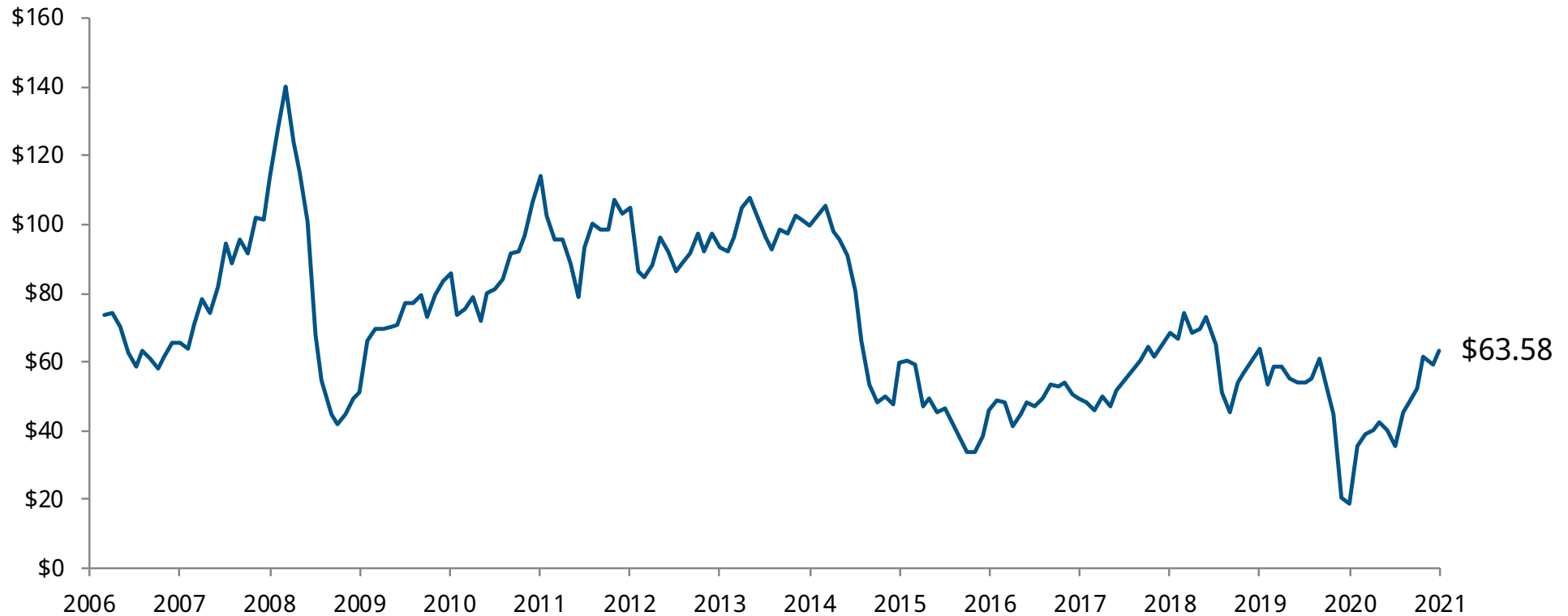


Source: Bloomberg (Apr 2021)



# Crude Reality: Price of Oil

## West Texas Intermediate (USD per barrel) – 15 Year Price to April 30, 2021



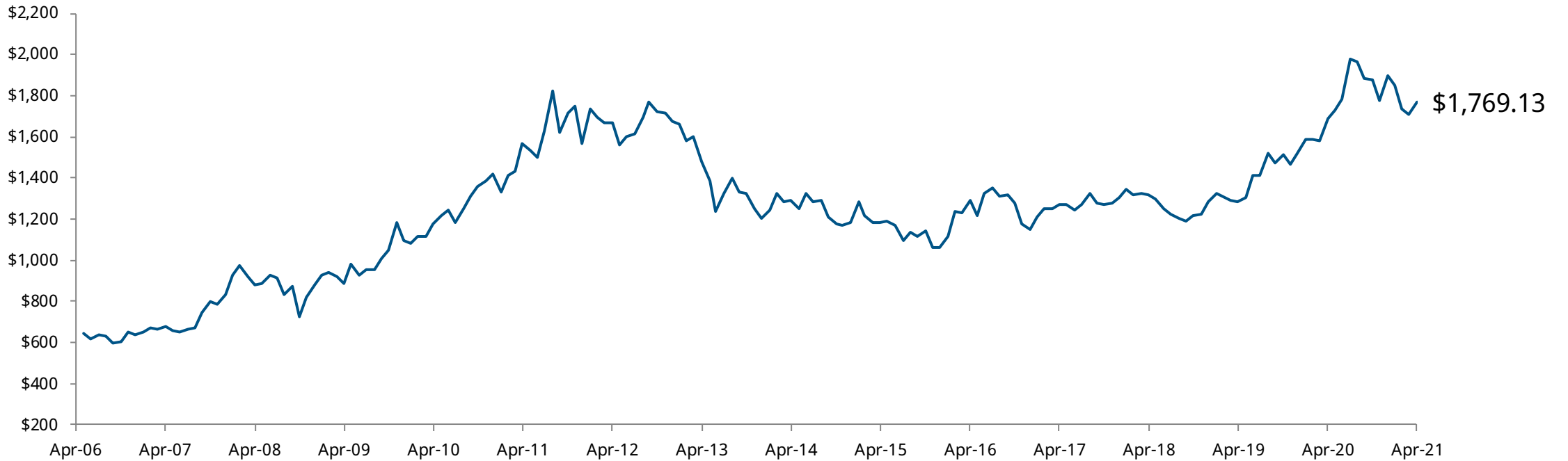
Source: Bloomberg (Apr 2021)





# Gold Bullion

## Gold (USD/troy ounce) – 15 Year Price to April 30, 2021



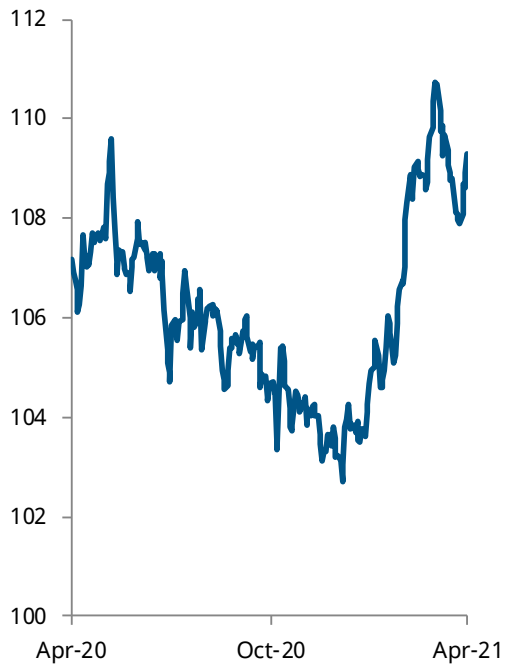
Source: Bloomberg (Apr 2021)



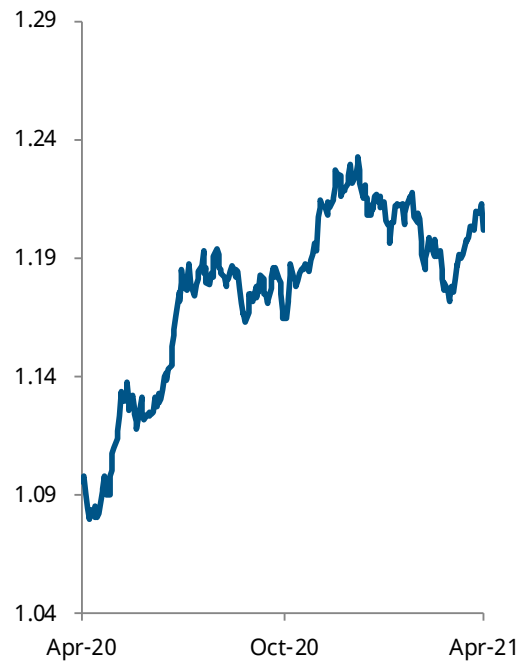
# Foreign Exchange Rates

## USD Comparisons – 1 Year Rates to April 30, 2021

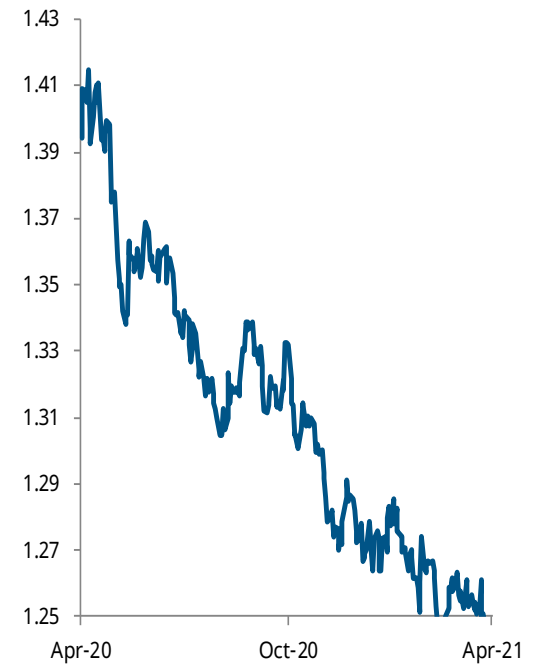
Yen vs. USD



Euro vs. USD



CDN vs. USD



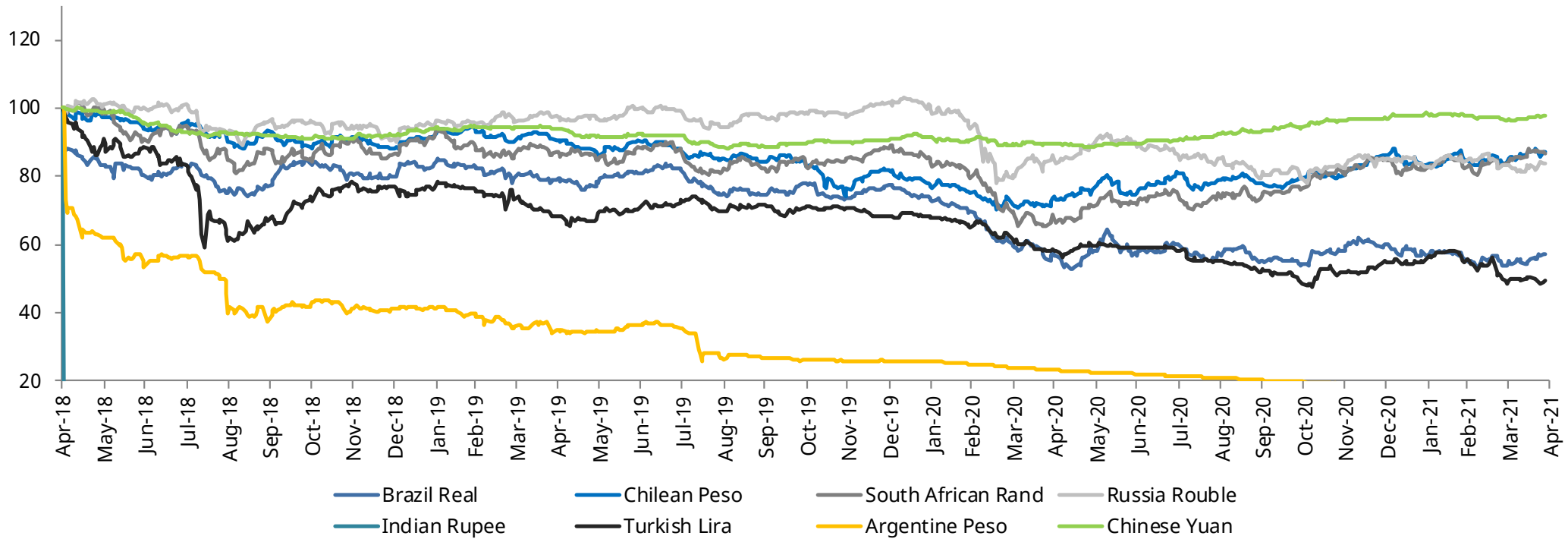
Source: Bloomberg (Apr 2021)



# Emerging Market Currencies

## Exchange rates against the U.S. Dollar – 3 Year Rates to April 30, 2021

(Indexed to 100 on April 30, 2018)



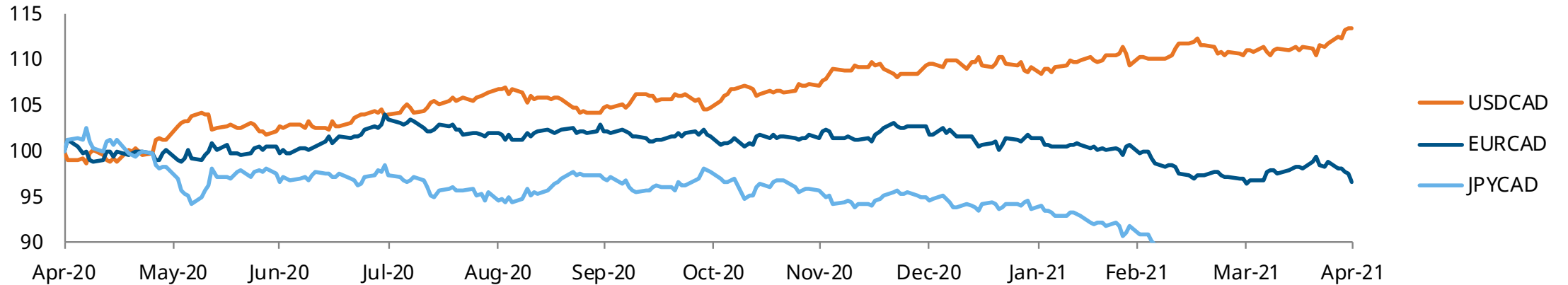
Source: Bloomberg (Apr 2021)



# Currency – The Hidden Difference

## Foreign currencies vs. Canadian Dollar – 1 Year Rates to April 30, 2021

(Indexed to 100 on April 30, 2020)



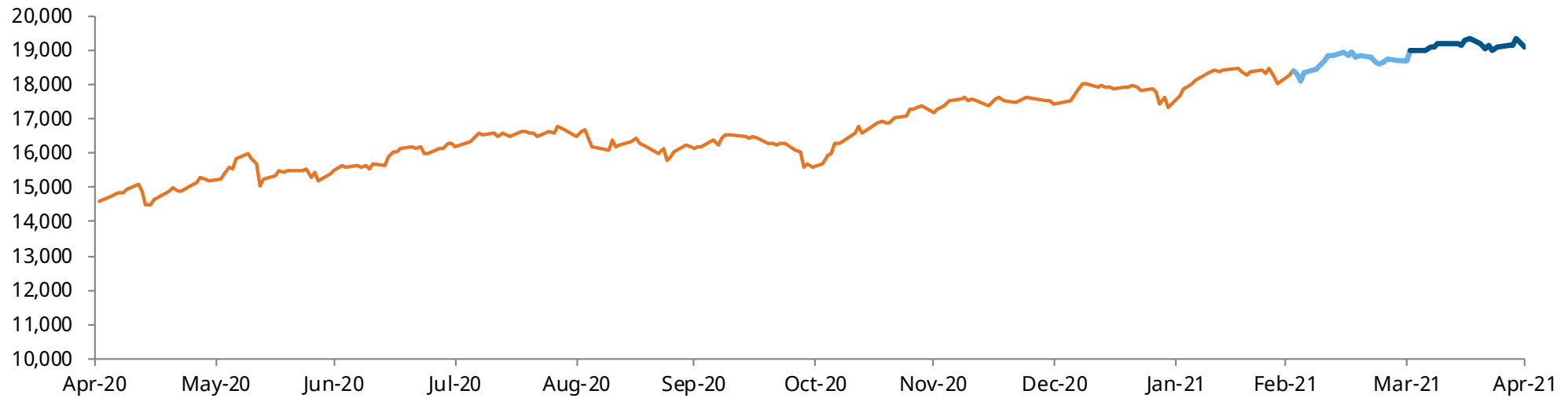
	Canada S&P/TSX	U.S. S&P500	Euro Area MSCI Europe NR	Japan MSCI Japan NR	Emerg. Markets MSCI EM NR	China MSCI China NR	World MSCI World
<b>Local Currency Returns</b>	33.3%	46.0%	30.6%	33.5%	42.9%	35.7%	41.9%
<b>CDN\$-Based Returns</b>	33.3%	28.8%	26.2%	15.2%	31.2%	20.8%	28.2%

Source: Bloomberg (Apr 2021)



# A View of Global Market Indices

## S&P/TSX Composite Index Prices - 12 months ending April 30, 2021



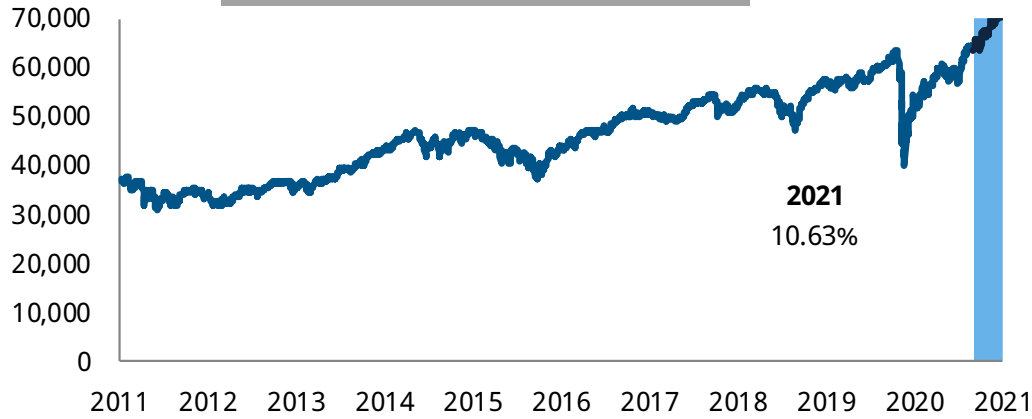
	S&P/TSX	S&P 500	Euro Area	Japan	Emerg. Mkts	China	World
<b>1-Year returns to Apr 30:</b>	33.3%	46.0%	30.6%	33.5%	42.9%	35.7%	41.9%
<b>Year-to-Date:</b>	10.6%	11.8%	10.1%	5.9%	5.6%	1.0%	10.4%
<b>Quarter-to-Date:</b>	0.8%	4.1%	1.8%	(2.9%)	0.2%	(1.3%)	3.0%
<b>Month-to-Date:</b>	0.8%	4.1%	1.8%	(2.9%)	0.2%	(1.3%)	3.0%

Source: Bloomberg (Apr 2021)

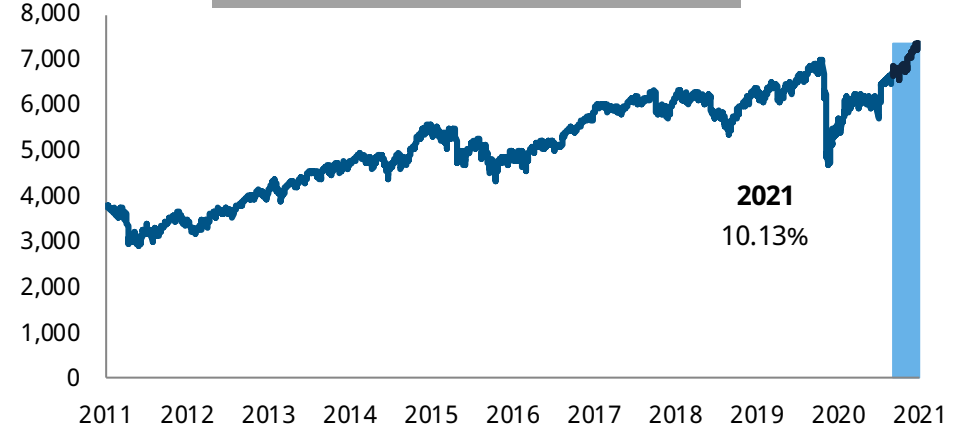


# Global Market Results

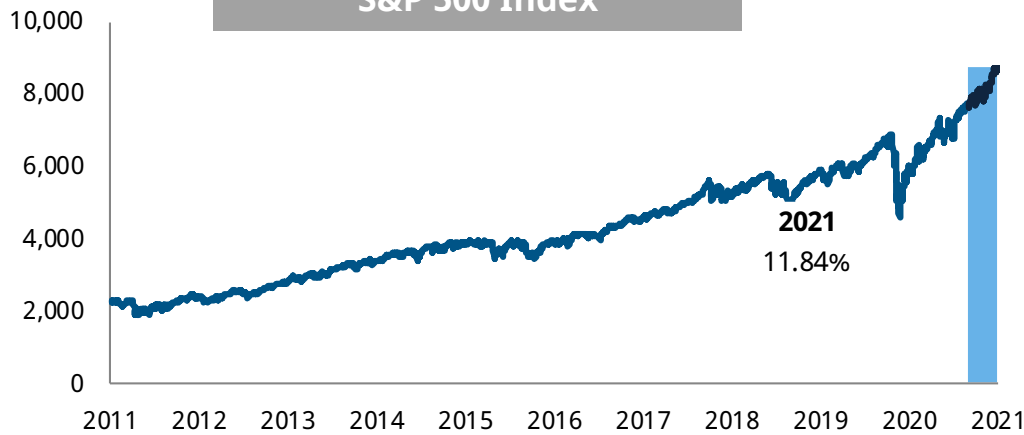
### S&P/TSX Composite Index



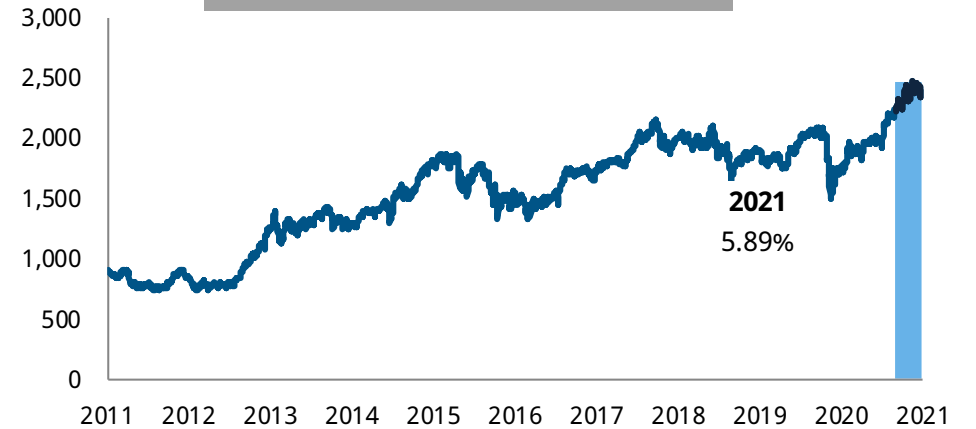
### MSCI Europe Index



### S&P 500 Index



### MSCI Japan Index

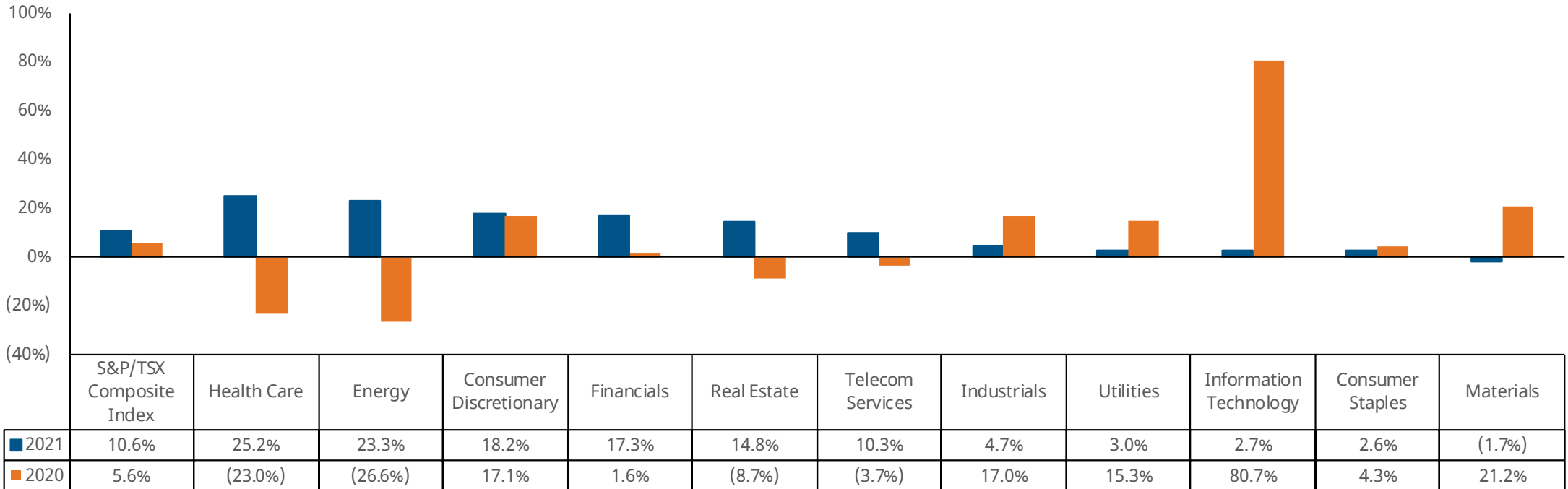


Source: Bloomberg (Apr 2021)



# S&P/TSX by Sector

S&P/TSX returns for 2020 and 2021 YTD



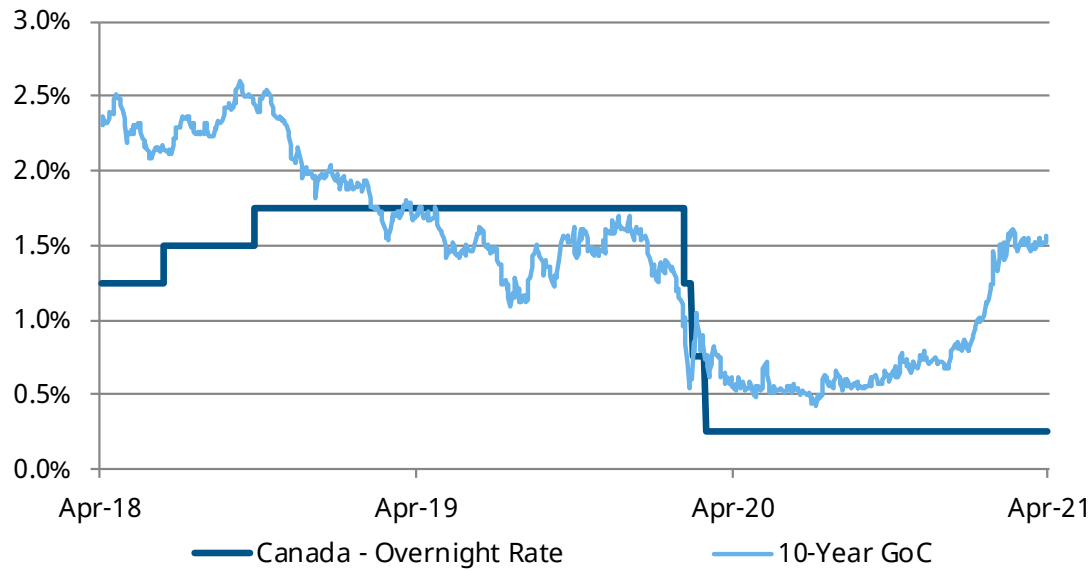
Source: Bloomberg (Apr 2021)



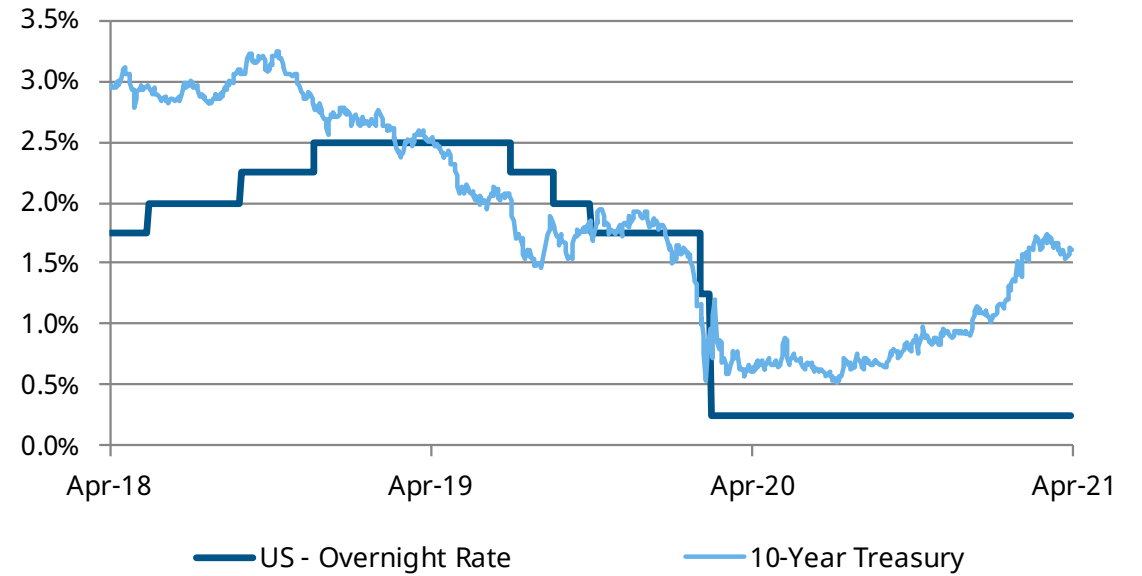
# Central Bank Rates

## Central Bank Rates and 10-Year Gov't Bond Yields - 3 Years to April 30, 2021

Canada



United States



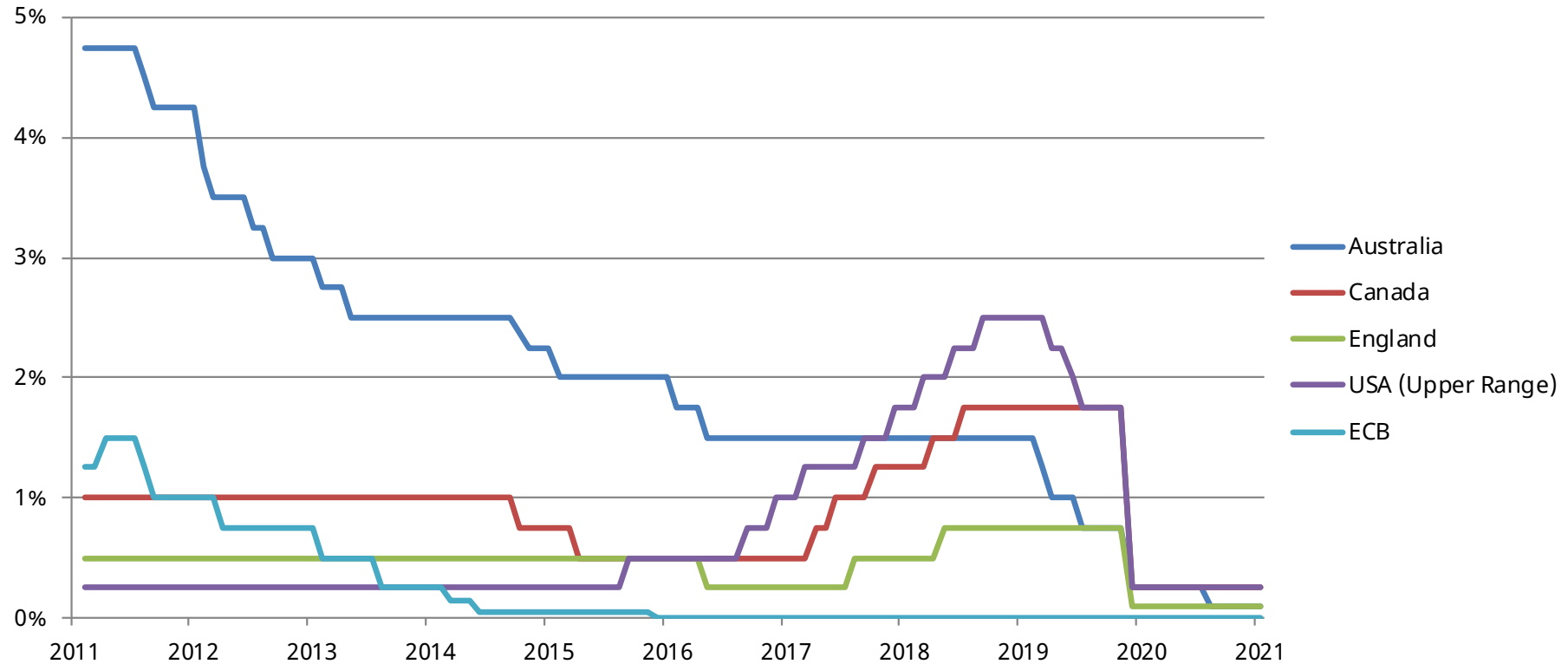
Source: Bloomberg (Apr 2021)





# Central Bank Rates Around the Globe

## Central Bank Rates - 10 Years to April 30, 2021

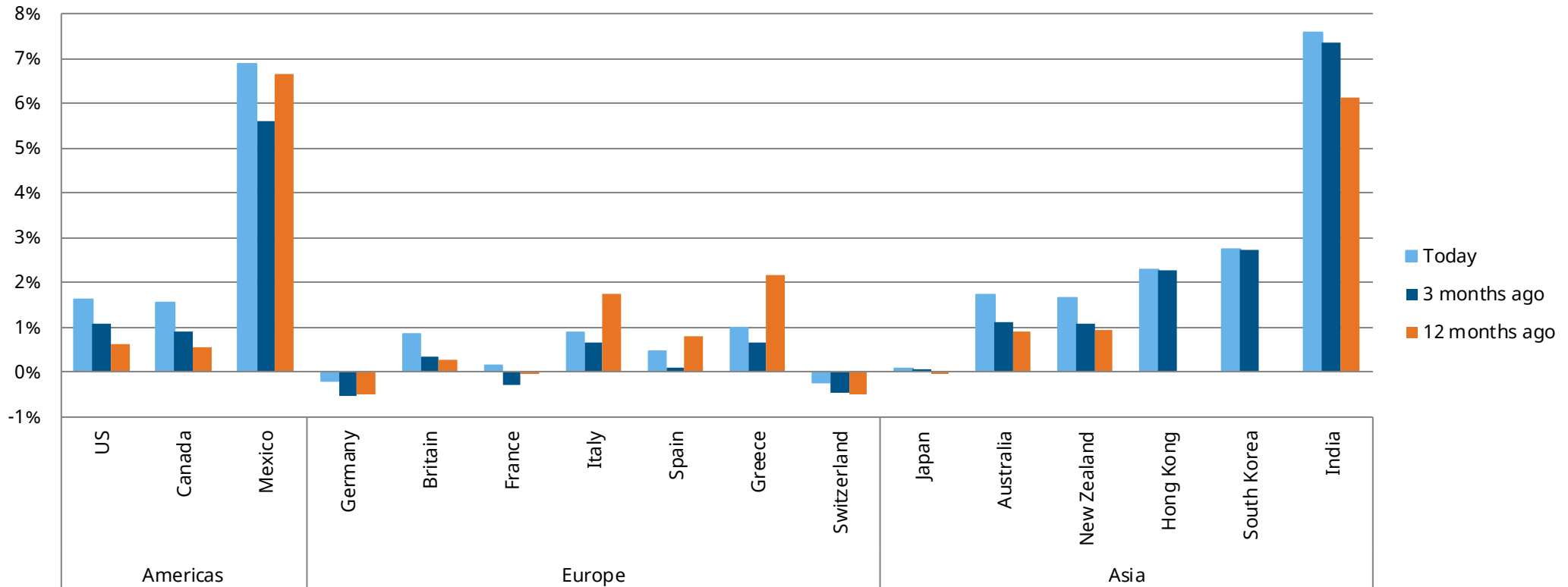


Source: Bloomberg (Apr 2021)



# 10 Year Government Bond Yields

As of April 30, 2021, 3 months ago and 1 year ago (bps)



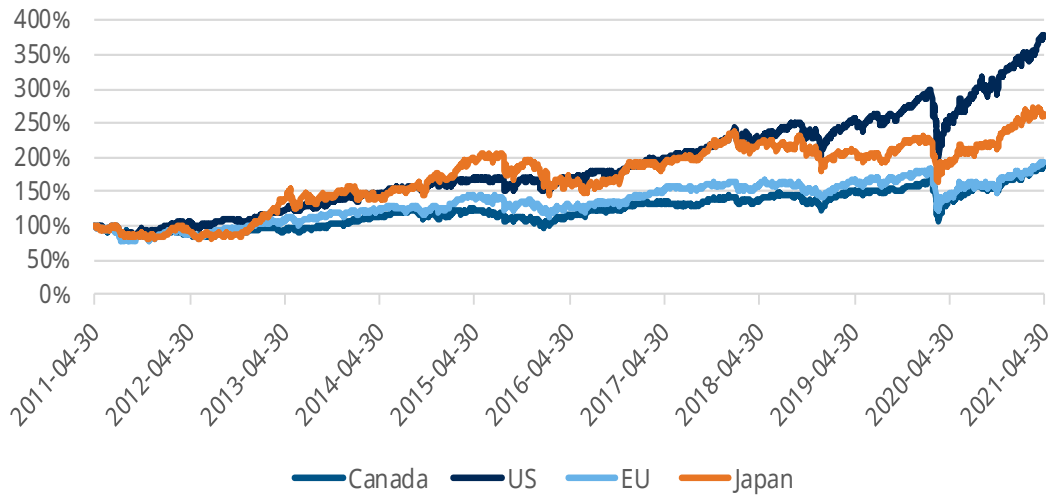
Source: Bloomberg (Apr 2021)



# Global Market Results

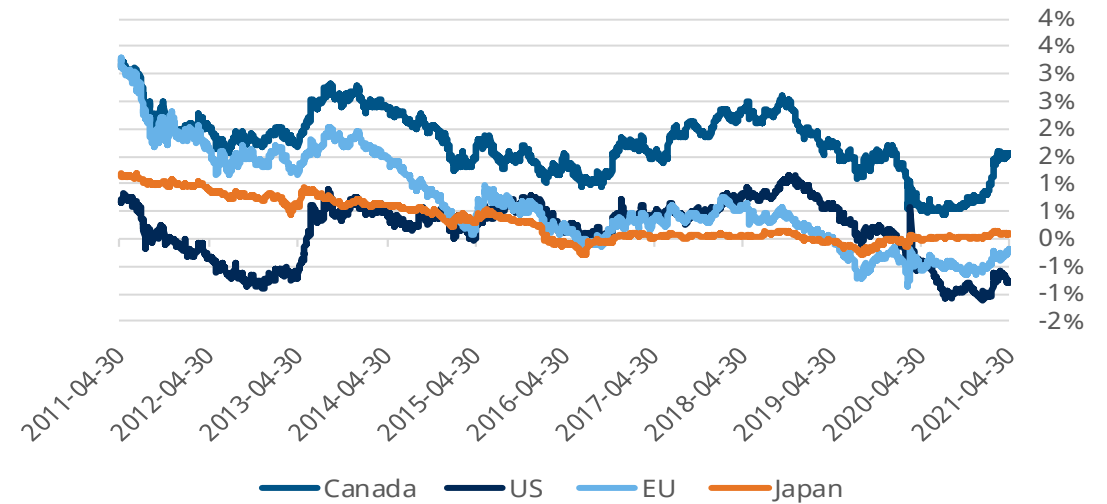
## Equity Market Returns

up to April 30, 2021; total returns indexed to 100, local currency



## Bond Market Returns

up to April 30, 2021; local currency

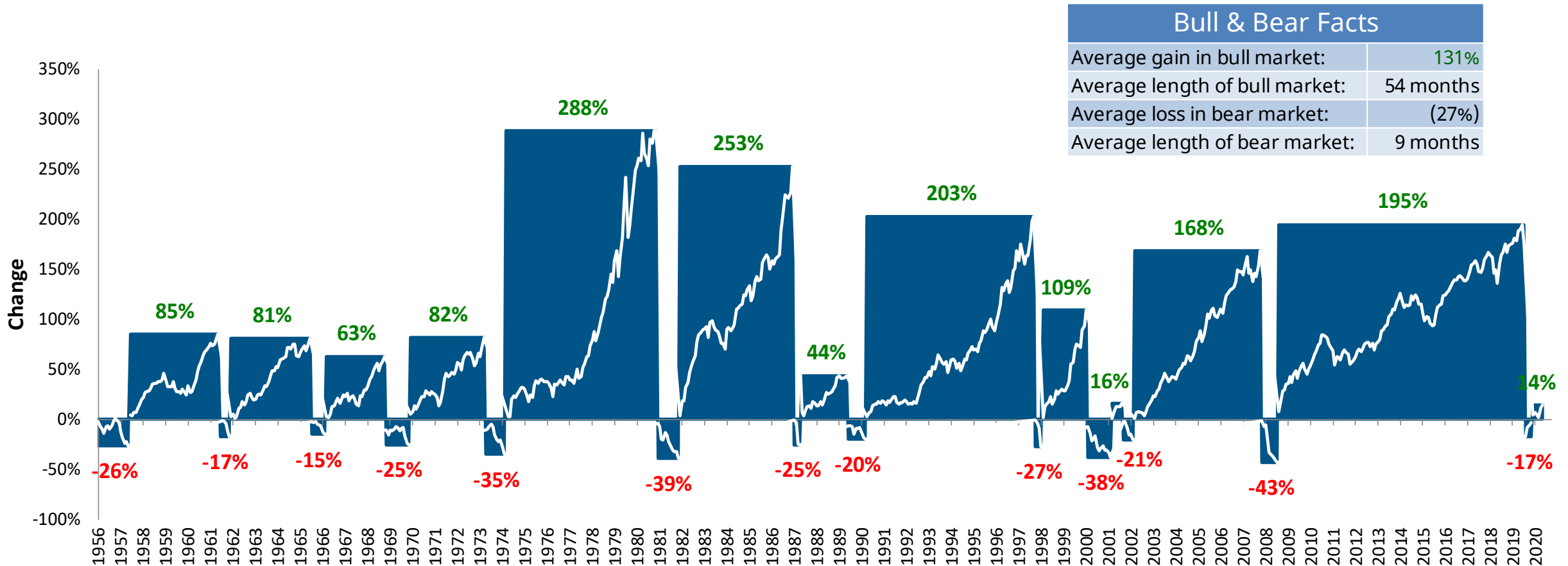


Source: Bloomberg (Apr 2021)



# Bull & Bear Markets

## S&P/TSX Composite Index to April 30, 2021



Bull & Bear Facts	
Average gain in bull market:	131%
Average length of bull market:	54 months
Average loss in bear market:	(27%)
Average length of bear market:	9 months

Source: Bloomberg (Apr 2021)

# Bull & Bear Markets: S&P/TSX Composite

## The risks and rewards of investing



- This chart represents the bull and bear markets in the S&P/TSX Composite Total Return since 1956.
- All bars above the line are bull markets; all bars below are bear markets.
- For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.

## Investor behaviour

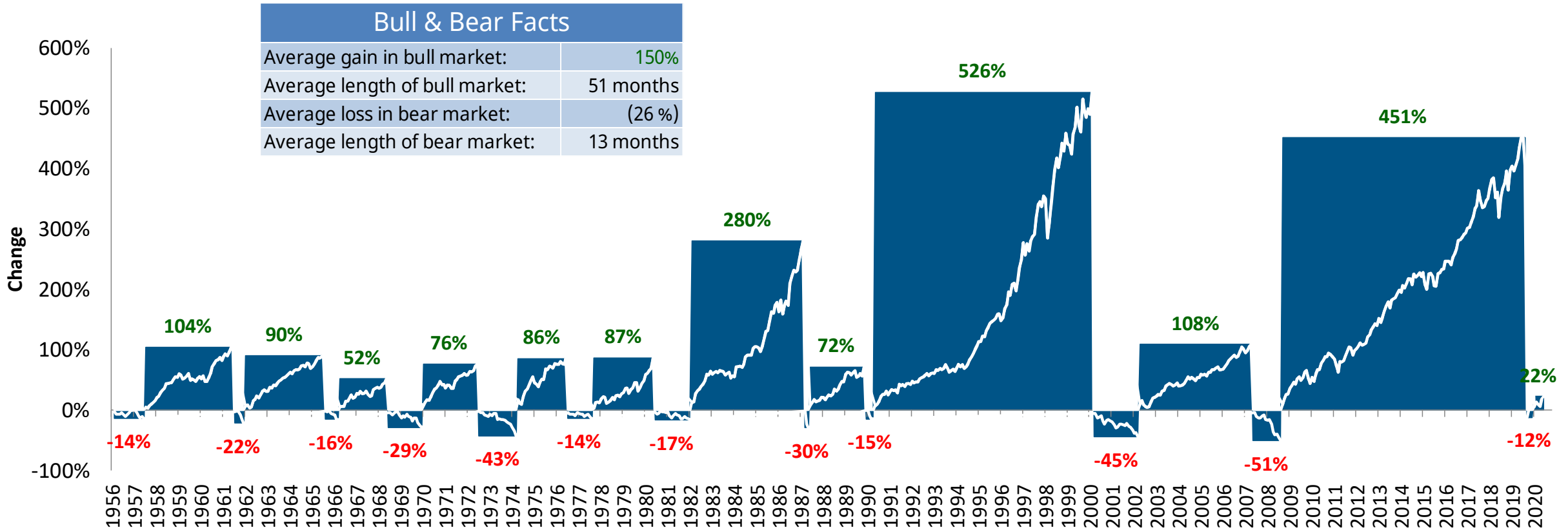


- According to the chart, markets spend more time in positive territory (bull) than negative (bear)
- Bull markets are, on average, longer and more intense, providing a more significant percentage change.
- On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment 'bargains' to be found.
- Investor discipline during bear markets is critical.



# Bull & Bear Markets

## S&P 500 Index to April 30, 2021



Source: Bloomberg (Apr 2021)

# Bull & Bear Markets: S&P 500

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- This chart represents the bull and bear markets in the S&P 500 Total Return since 1956.
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The rate of returns shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of returns on investment.