



# Monthly Market Snapshot

## Monthly Overview

A streak of volatile trading extended into June as investors focused on the highest inflation print in 40 years. Renewed recession jitters contributed to the continuing stock market sell-off, leading to the S&P 500's first bear market since March 2020. Federal Reserve Chairman Jerome Powell stated at a Senate Committee meeting that a soft landing would be very challenging, while a recession is a possibility due to the central bank's unconditional commitment to taming inflation. U.S. consumer confidence deteriorated to a 16-month low in June, raising concerns that consumers will curb spending in anticipation of persistently high prices. Amid the myriad of global crises facing markets, the S&P 500 ended the first half of 2022 lower by 20.6% for its worst start to a year since 1970.

Canada's benchmark S&P/TSX Composite Index was 9.0% lower in June, resulting in a 13.8% decline for the benchmark in Q2. All 11 of the benchmark's underlying sectors were negative during the quarter, led by health care and information technology, with losses of 49.8% and 30.8%, respectively. Small-cap stocks, as measured by the S&P/TSX Small Cap Index, slid by 21.2% for the quarter.

The U.S. dollar appreciated by 3.0% versus the loonie during the quarter, providing a boost to returns of foreign markets from a Canadian investor's standpoint. Note that all returns in this paragraph are in CAD terms. U.S.-based stocks, as measured by the S&P 500 Index, declined 6.7% in June, and finished the quarter lower by 13.8%. The benchmark's quarterly loss was led by the consumer discretionary, telecommunication services, and information technology sectors, with respective declines of 24.0%, 18.4%, and 18.0%. International stocks, as measured by the MSCI EAFE Index, lost 12.7% during the quarter, while emerging markets lost 9.6% in Q2.

Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, declined by 5.7% during the quarter. The key global investment grade bond benchmark and global high-yield issues were down 8.3% and 10.5%, respectively, during the quarter.

Turning to commodities, the price of a barrel of crude oil gained 5.5% in the second quarter, while natural gas was 3.9% lower. Copper, silver and gold had a negative quarter, with respective losses of 21.8%, 19.3% and 7.3%.

July 2022

## Investment Products & Platforms Team

---

**JAMES GAUTHIER, CFA**

[james.gauthier@iawealth.com](mailto:james.gauthier@iawealth.com)

---

**MICHAEL DIL, CFA**

[michael.dil@iagto.ca](mailto:michael.dil@iagto.ca)

---

**PAVAN KHAIRA**

[pavan.khaira@iagto.ca](mailto:pavan.khaira@iagto.ca)

---

**JUSTIN KIM, CFA**

[justin.kim@iagto.ca](mailto:justin.kim@iagto.ca)

---

**BHARTI PATEL**

[bharti.patel@iagto.ca](mailto:bharti.patel@iagto.ca)

---

**JOSHUA WON**

[joshua.won@iagto.ca](mailto:joshua.won@iagto.ca)



Inflation in Canada stayed elevated with a 7.7% year-over-year rise in May, the highest print since 1983. The year-over-year increase in May was largely driven by higher gasoline prices, which rose 48% from a year ago. The Canadian economy added 39,800 jobs in May, as the nation's unemployment rate improved to 5.1%. The Bank of Canada increased the policy rate by 50 basis points for a second straight time in June and is expected to hike the rate again by 75 basis points in July.

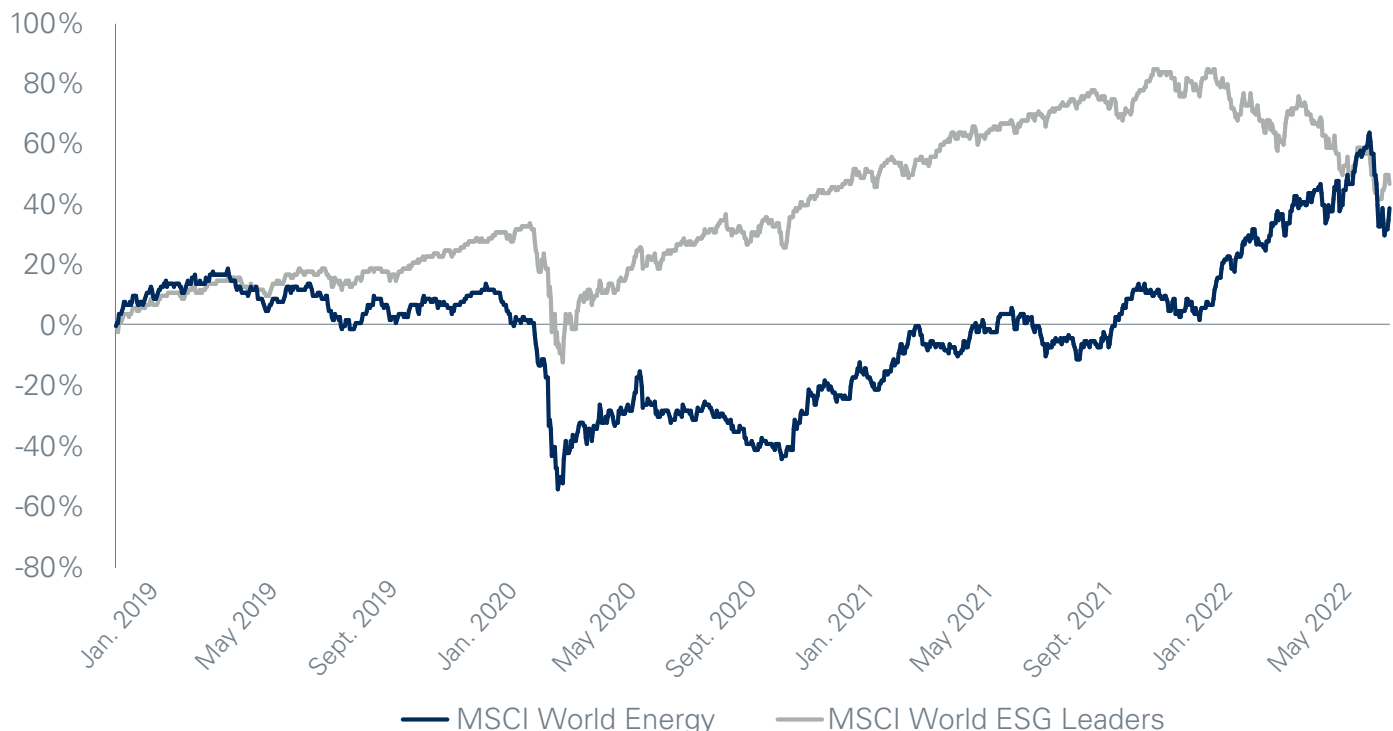
U.S. nonfarm payrolls increased by 390,000 in May, and the unemployment rate held at 3.6%. The consumer price index rose again in May, accelerating to 8.6% year-over-year. Food, energy and shelter were the largest contributors to rising inflation. U.S. retail sales declined in May by 0.3%. The Federal Reserve raised its interest rate by 75 basis points in June, which was the biggest rate increase since 1994. Chairman Powell indicated the central bank could raise interest rates by a similar magnitude at the July policy meeting.

Content sourced from Bloomberg; data as at June 30.

## Monthly Market Statistics

Some investors looking to incorporate ESG into their portfolios simply follow the composition of ESG benchmarks that are produced by various index providers. It is common for many of these benchmarks to screen out energy. Case in point, the MSCI World ESG Leaders index currently has an energy allocation in the low single digits. There was a period of massive underperformance for energy stocks leading into and during the Covid downturn, so any strategy that systematically avoided energy likely outperformed the broader market, and certainly outperformed any energy stock index. Since they bottomed out, energy stocks have been top performers, suggesting that any benchmark that systematically avoids this sector likely has underperformed the broader market. The Chart of the Month shows the cumulative returns of a pair of MSCI benchmarks going back to the start of 2019, illustrating that after falling behind badly, returns for energy stocks have now totally caught up with the performance of the MSCI World ESG Leaders index. This begs the question – is the outright exclusion of particular sectors from a portfolio the right approach to ESG investing, or is a more nuanced approach appropriate? This is an interesting subject to ponder.

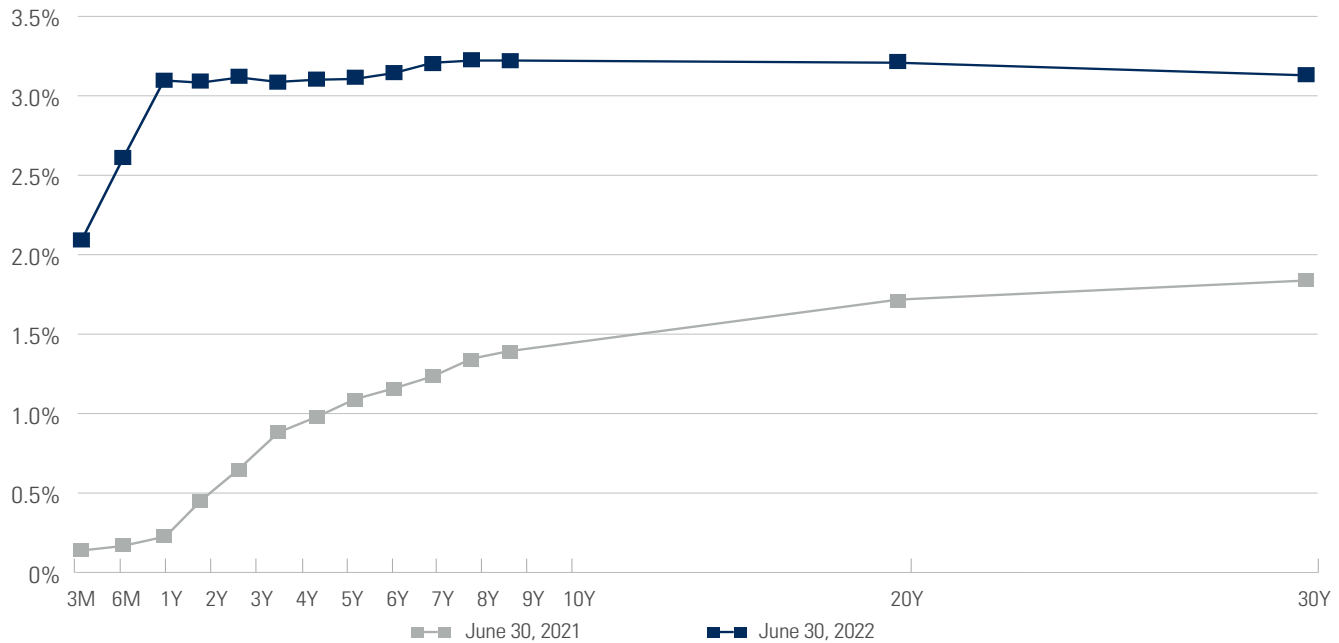
**Chart of the Month:**  
**Fossil Fuel Stocks Climb as ESG Investing is Reassessed**



Source: J.P. Morgan Asset Management.



### Canadian Sovereign Yield Curve



Source: Bloomberg.

## Monthly Market Statistics

Data to June 30, 2022, unless otherwise indicated

**Table 1: Equity Index Returns (% in CAD)**

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
S&P/TSX Composite	-9.0	-13.8	-11.1	-11.1	-6.5	4.8	4.4	16.3
S&P/TSX 60	-8.6	-13.3	-10.9	-10.9	-5.2	5.4	5.1	15.2
S&P/TSX Small Cap	-13.6	-21.2	-15.0	-15.0	-15.4	4.6	1.1	28.8
S&P 500	-6.7	-13.8	-19.2	-19.2	-8.6	8.2	9.1	18.3
MSCI EAFE	-7.7	-12.7	-19.6	-19.6	-16.9	-1.9	-0.6	17.7
MSCI World	-7.0	-14.0	-19.8	-19.8	-12.5	4.7	5.7	18.1
MSCI World Small Cap	-8.4	-15.0	-21.9	-21.9	-20.2	2.2	3.1	22.1
MSCI Europe	-8.3	-12.4	-20.8	-20.8	-16.4	-1.5	-0.6	19.0
MSCI EM	-5.4	-9.6	-17.3	-17.3	-24.5	-2.3	-0.4	18.2
MSCI AC Asia	-5.0	-9.7	-16.7	-16.7	-21.2	-1.0	0.3	15.3

Source: Bloomberg.

**Table 2: Fixed-Income Returns (% in CAD)**

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
FTSE Canada Universe Bond	-2.2	-5.7	-12.2	-12.2	-11.4	-2.3	0.2	5.8
Barclays Global Agg	-3.2	-8.3	-13.9	-13.9	-15.2	-3.2	-0.6	5.9
Barclays High Yield Very Liquid Index	-7.3	-10.5	-14.8	-14.8	-13.6	-0.7	1.5	9.2

Source: Bloomberg.



**Table 3: Commodity Prices (Prices and Returns in USD)**

Commodity	06/30/2022 Price (\$)	MoM Change (%)	YoY Change (%)	3 Mo (%)
WTI Crude Oil/BBL	105.76	-7.8	43.9	5.5
Natural Gas/mmBTU	5.42	-33.4	48.6	-3.9
Copper/pound	3.71	-13.5	-13.5	-21.8
Silver/oz	20.28	-6.5	-22.5	-19.3
Gold/oz	1807.30	-1.9	2.0	-7.3

Source: Bloomberg.

**Table 5: One-Month Sector Returns (% in CAD)**

Sector	S&P/TSX Composite returns	S&P 500 returns
Consumer Discretionary	-6.3	-9.2
Consumer Staples	-5.9	-1.0
Energy	-12.5	-15.4
Financials	-9.0	-9.4
Health Care	-18.1	-1.0
Industrials	-1.3	-5.7
Info Tech	-9.1	-7.7
Materials	-15.0	-12.5
Real Estate	-10.2	-5.7
Telecom Services	-6.7	-6.0
Utilites	-3.2	-3.3

Source: Bloomberg.

**Table 4: Economic Data**

Canada	
Real GDP- Q1 (q/q ann. % change)	3.1
Consumer Prices, 05/2022 (y/y % change)	7.7
Unemployment Rate, 05/2022	5.1
United States	
Real GDP- Q1 (q/q ann. % change)	-1.6
Consumer Prices, 05/2022 (y/y % change)	8.6
Unemployment Rate, 05/2022	3.6

Source: Bloomberg, Stats Canada.

**Table 6: Exchange Rates**

Cross	06/30/2022	6 Mos Ago	1 Yr Ago
USD/CAD	1.29	1.26	1.24
EUR/CAD	1.35	1.44	1.47
GBP/CAD	1.57	1.71	1.71
CAD/JPY	105.43	91.08	89.61

Source: Bloomberg.

## Investment Recommendation Rating System

Recommended List: The list presents a selection of funds that we believe are among the best of their peers and offer unique characteristics that can add value when used in a well-diversified investment portfolio tailored to a client's investment objectives.

Hold: The fund remains on the Recommended List, but is not recommended for adding to or selling from client's portfolios.

Sell: The fund is no longer on recommended list.

Under Review: The fund's participation on the Recommended List is under review.

## General Disclosures

The information and opinions contained in this report were prepared by iA Private Wealth Inc. ('iA Private Wealth'). iA Private Wealth is owned by Industrial Alliance Insurance & Financial Services Inc. ('iA Financial'). iA Financial is a TSX Exchange listed company and as such, iA Private Wealth is related to iA Financial. The opinions, estimates and projections contained in this report are those of iA Private Wealth as of the date of this report and are subject to change without notice. iA Private Wealth endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iA Private Wealth makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to iA Private Wealth that is not reflected in this report. Nothing contained in this report is or should be relied upon as a promise or representation as to the future. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and management's analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. There is no representation, warranty or other assurance that any projections contained in this report will be realized. Opinions, estimates and projections contained in this report are our own as of the date hereof and are subject to change without notice. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your investment advisor.

## Definitions

"The author" means any partner, director, officer, employee or agent of iA Private Wealth who is held out to the public as a publisher of Investment Fund Research or whose responsibilities to iA Private Wealth include the preparation of any written investment fund research report for distribution to clients or prospective clients of iA Private Wealth. "Investment Fund Research" means any written or electronic communication that iA Private Wealth has distributed or will distribute to its clients or the public, which contain author's comments concerning current Investment Fund indicators.

## Conflicts of Interest

The author and or associates who prepared this report are compensated based upon (among other factors) the overall profitability of iA Private Wealth, which may include the profitability of investment banking and related services. In the normal course of its business, iA Private Wealth may provide financial advisory services for issuers. iA Private Wealth will include any further issuer related disclosures as needed. iA Private Wealth permits the authors to own and trade in the securities discussed herein. In that case, specific holdings disclosures will be made.

## The Author's Certification

The author whose name appears on the front page of this Investment Fund Research report hereby certifies that (i) the opinions expressed in the investment fund research report accurately reflect the author's personal views about the marketplace and are the subject of this report and all strategies mentioned in this report that are covered by such the author and (ii) no part of the author's compensation was, is, or will be directly or indirectly, related to the specific views expressed by such technical strategies in this report. The author(s) of this report own(s) the following securities of the issuer(s): None.

## Dissemination of Reports

iA Private Wealth uses its best efforts to disseminate its investment fund research reports to all clients who are entitled to receive the firm's investment fund research reports, contemporaneously on a timely and effective basis in electronic form, via fax or mail.

## For Canadian Residents

This report has been approved by iA Private Wealth, which accepts responsibility for this report and its dissemination in Canada. Canadian clients wishing to effect transactions should do so through a qualified salesperson of iA Private Wealth in their particular jurisdiction where their IA is licensed.

## For US Residents

This report is not intended for distribution in the United States.

## For EU Residents

This report is not intended for distribution in the European Union.

## For UK Residents

This report is not intended for distribution in the United Kingdom.

## Intellectual Property Notice

The materials contained herein are protected by copyright, trademark and other forms of proprietary rights and are owned or controlled by iA Private Wealth or the party credited as the provider of the information.

## Regulatory

iA Private Wealth Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. iA Private Wealth is a trademark and business name under which iA Private Wealth Inc. operates.

## Copyright

All rights reserved. All material presented in this document may not be reproduced in whole or in part, or further published or distributed or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of iA Private Wealth.