I hope you are well and are enjoying the beautiful summer weather (and lack of mosquitoes!). With the second quarter of 2018 having recently drawn to a close, we wanted to provide a brief update for you on some of the main themes that emerged for investment markets over the period.

Following a particularly volatile start to the year in the first quarter, many global equity markets delivered somewhat steadier returns in the second quarter. The MSCI World Index finished the period with a gain of 1.9% in U.S. dollar terms, while the S&P 500 Index, a broad measure of U.S. stocks, rose about 3.4%. Overseas results varied, with gains for equity indexes in England, France and Japan offset by losses in Germany and several Asian markets. Emerging markets exhibited the largest drawdowns, with the MSCI Emerging Markets Index losing 7.9% for the three months in U.S. dollars.

In Canada, the S&P/TSX Composite Index performed well, registering a broad-based advance of 6.8% for the quarter. Stronger oil prices buoyed energy shares, and the health care, information technology and financial sectors all added to performance. The Canadian benchmark has gained nearly 2% for the year-to-date.

The Canadian dollar, meanwhile, declined in value relative to the U.S. dollar over the quarter, enhancing returns for Canadian investors with assets priced in U.S. currency. The MSCI World Index, for example, returned 4.1% for the quarter when expressed in Canadian dollars, the S&P 500’s gain was 5.6% and the loss for the MSCI Emerging Markets Index was reduced to 5.9%.

The U.S. Federal Reserve raised its target interest rate range by a quarter of a percentage point for the second time this year at its June meeting, pointing to the continued strength of the labour market and solid economic activity. Economic data for Canada were also strong, but the Bank of Canada opted to hold rates steady through the second quarter, indicating that further increases would likely come later in the year. Ten-year government bond yields in the U.S. and Canada reached a peak for the second quarter in mid-May before declining and finishing the period slightly up. The FTSE TMX Universe Bond Index, which measures Canadian government and corporate bond returns, gained 0.5% for the quarter.

Equity prices in many industries and regions continue to be supported by healthy corporate earnings, relatively low interest rates and strong economic signals. However, challenges in the form of gradually rising short-term rates and inflation, as well as rising global trade tensions, are causing uncertainty in some areas of the market. In this type of environment, the value of strong active portfolio management becomes especially important, as professional portfolio managers have the knowledge and experience to navigate through challenging market conditions.

For additional market commentaries, please visit our website at http://www.davidbardal.com/news.cfm

As always, if you have any questions, want to book a meeting to ensure that you are on your path to financial well being or have any changes in your financial circumstance, please get in touch!

We wish you and your family a safe and pleasant summer.

Sincerely,

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