

## May in Review

Equities pulled back in May, giving back some of the gains from the first several months of the year. During the month, Canadian equities declined 3.06%, led lower by health care, consumer discretionary, and financial stocks. U.S. equities were down 6.35%, led lower by energy, consumer staples, and financials. Canadian bonds performed well, up 1.69% in the month. Commodities performance was mixed. Oil sold off significantly, with WTI crude oil sliding 16.38% in May amid escalating trade tensions and the impact on global growth and demand. Despite the recent sell off, oil is up 13.11% year-to-date. Copper fell 9.09% on similar concerns and natural gas dropped 6.23%. Gold rose 1.50% for the month. A combination of geopolitical risk and disappointing economic data were top of mind in May, with trade tensions and the ongoing Brexit saga chief among them. Here are some of May's most notable headlines:

**Amid negotiations with China, the U.S. escalates trade tensions.** The U.S. increased its existing tariffs on \$200 billion in Chinese goods to 25% from 10%. President Trump stated that he was taking steps to authorize new tariffs on an additional \$325 billion in Chinese imports. The White House also barred companies deemed a national security threat from selling to the U.S., and threatened to blacklist Huawei. China responded with tariffs of its own, setting import tariffs ranging from 5% to 25% on 5,140 U.S. products on a \$60 billion target list. Trump accused Chinese negotiators of renegeing on commitments made during prior negotiations, as they were getting close to a deal. Chinese officials said they were open to talks, but vowed that China would defend its national interests and dignity. The retaliatory measures cast a pall on both developed and emerging equity markets.

**Brexit confusion continues in U.K.** British Prime Minister Theresa has announced her plan to resign, effective June 7, after losing support within her own party. She was unable to win approval for a withdrawal agreement with the EU, and saw erosion of support from the Conservative party, with a steady stream of cabinet minister resignations. A new leader is expected to be in place by the end of July, and will attempt to deal with the Brexit issue. The EU has refused to renegotiate the withdrawal agreement, and a majority of British MPs don't want the country to leave without a deal. The outcome is as unclear as ever, with the U.K. scheduled to leave the EU on Oct. 31. In May the pound was down 2.17% against the Canadian dollar.

**Slowing economic growth in China.** In May, weaker-than-expected growth in Chinese retail sales and industrial output were reported for the month of April. Clothing sales fell for the first time since 2009, while overall retail sales in April rose 7.2%, which is the slowest rate of growth reported since May 2003. April Industrial growth was 5.4%, below consensus expectations of 6.5%, and down from a robust 8.5% in March. The weaker than expected economic data, and the concern over the impact of the trade war with the U.S., may add pressure on the Chinese government to use more stimulus measures to maintain the desired economic growth.

### Did you know?

With trade conflict in the news, it's worth revisiting past trade disputes. In 1930 the U.S. imposed significant tariffs on imports. Other countries retaliated with tariffs of their own, and U.S. exports declined substantially, exacerbating the Great Depression. During the "Chicken Wars" of the early 1960s, France and Germany imposed tariffs on U.S. chickens, with the U.S. responding with tariffs on many products. In 1985 the U.S. imposed tariffs on European pasta in retaliation for trade barriers on its citrus products, which became known as the "Pasta War." In all of these cases economies on both sides of the dispute dealt with negative consequences and consumers saw higher prices.

Source: Bloomberg, Business Insider, Washington Post

INDEX <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.15	0.69	1.57	163
Bonds (FTSE Canada Universe Bond)	1.69	5.56	7.00	1110
Canadian Equities (S&P/TSX Composite)	-3.06	13.33	3.01	16,037
U.S. Equities (S&P 500, US\$)	-6.35	10.73	3.78	2,752
Global Equities (MSCI World, US\$)	-5.69	10.09	0.31	2,046
Emerging Markets (MSCI Emerging Markets, US\$)	-7.23	4.16	-8.36	998

  

CURRENCIES <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-0.94	0.90	-4.13	0.74
C\$/Euro	-0.54	3.58	0.35	0.66
C\$/Pound	2.22	1.95	0.93	0.59
C\$/Yen	-3.74	-0.36	-4.60	80.12

  

COMMODITIES (US\$) <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	1.50	0.84	-2.35	1,311.10
Oil WTI (\$/barrel)	-16.38	13.11	-14.94	53.50
Natural Gas (\$/MMBtu)	-6.23	-11.09	-8.12	2.45

<sup>†</sup>Total Return, as at May 31, 2019. Indices are quoted in their local currency.  
Source: Bloomberg

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