



# Conference call on market volatility

Clément Gignac

Senior VP and Chief Economist  
Chair, Asset Mix Committee

Opinions expressed in this presentation are based on actual market conditions and may change without prior warning. The aim is in no way to make investment recommendations. The forecasts given in this presentation do not guarantee returns and imply risks, uncertainty and assumptions. Although we are comfortable with these assumptions, there is no guarantee that they will be confirmed.

Industrial Alliance Insurance and Financial Services Inc.

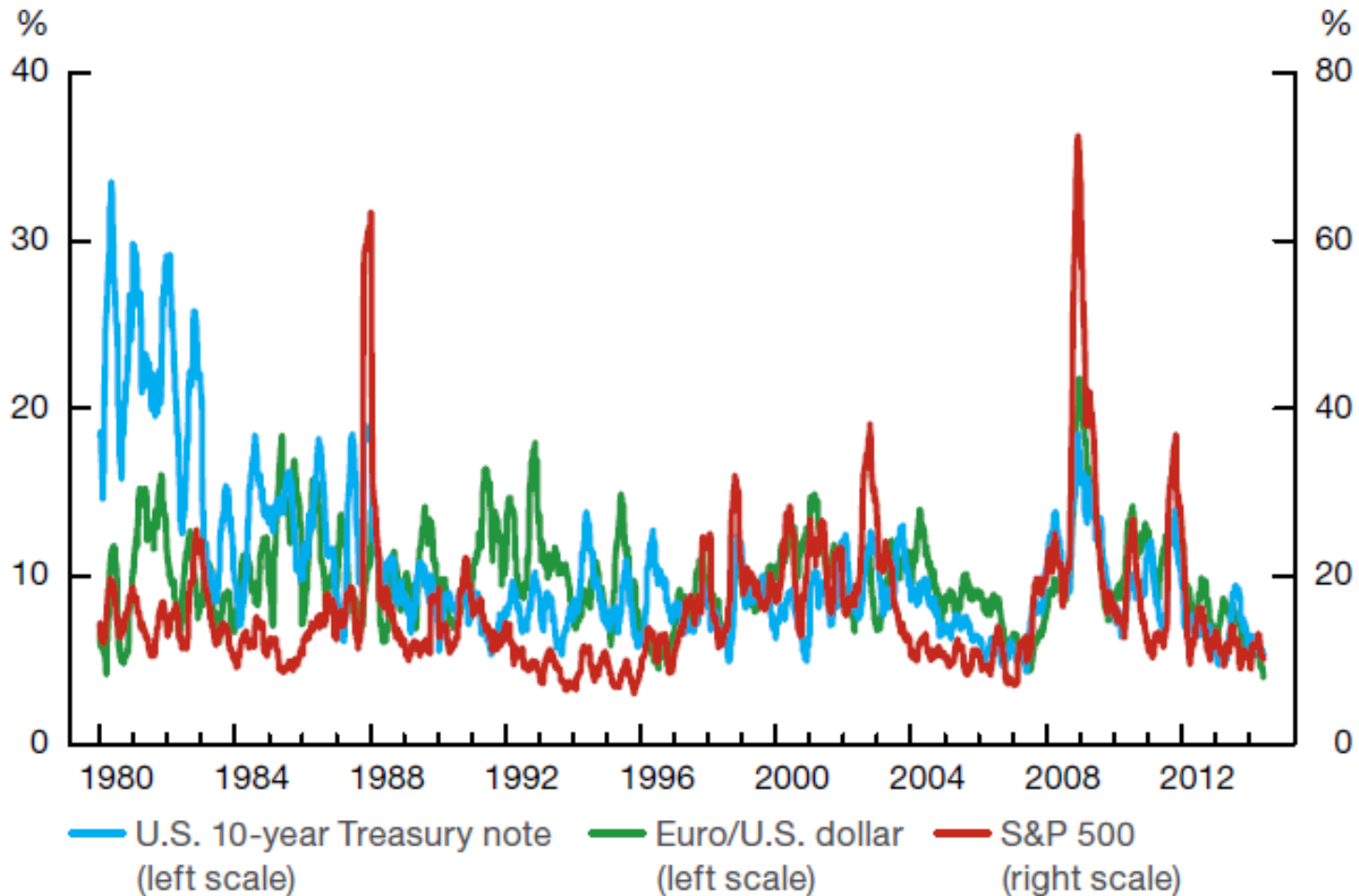


# Low volatility: More confidence in the authorities or complacency?



## Realized volatilities of various asset prices remain near historical lows

Rolling 3-month window



# Before the first Fed hike...



## Historical stock market performance one year before the first Fed hike

First Fed hike Date	S&P 500		S&P/TSX	
	Price Return 12-Mth Before	Maximum Drawdown*	Price Return 12-Mth Before	Maximum Drawdown*
1977-08-01	-4.2%	-10.9%	-2.1%	-14.0%
1980-10-21	30.9%	-17.1%	53.8%	-22.4%
1984-03-01	3.9%	-10.6%	12.0%	-9.2%
1987-04-30	22.4%	-9.4%	20.7%	-6.1%
1994-02-04	4.5%	-5.0%	32.1%	-5.0%
1999-06-30	21.1%	-19.3%	-4.8%	-28.4%
2004-06-30	16.1%	-6.4%	22.4%	-8.7%
<b>Median</b>	<b>16.1%</b>	<b>-10.6%</b>	<b>20.7%</b>	<b>-9.2%</b>

\* Biggest peak-trough correction through the 12-month period

Source: Canaccord Genuity, Thomson Reuters Datastream



# Bull markets usually ended by a recession...



## Bull Markets and Recessions Since 1969

Bull Markets					Recession		
	Trough	Peak	Return	# Mo.	Peak	Trough	
①	Oct-66	Nov-68	48%	26	①	Dec-69	Dec-70
②	May-70	Jan-73	74%	32	②	Nov-73	Apr-75
③	Oct-74	Feb-80	90%	65	③	Jan-80	Aug-80
④	Mar-80	Nov-80	43%	8	④	Jul-81	Dec-82
⑤	Aug-82	Aug-87	229%	61	⑤	n/a	n/a
⑥	Dec-87	Jul-90	65%	32	⑥	Jul-90	Apr-91
⑦	Oct-90	Mar-00	417%	115	⑦	Mar-01	Dec-01
⑧	Oct-02	Oct-07	101%	61	⑧	Dec-07	Jul-09
⑨	Mar-09	Sep-14	192%	68			

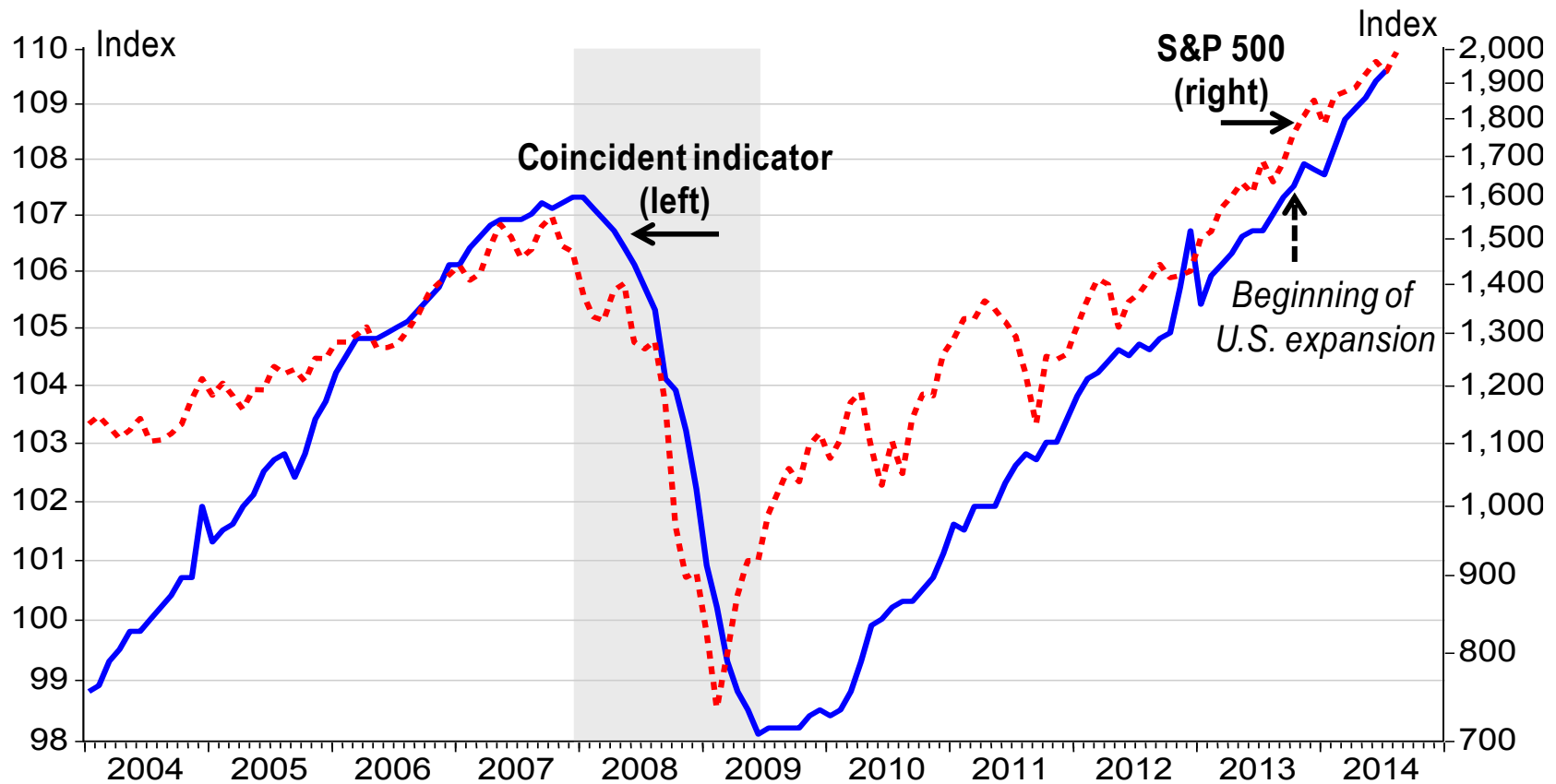
Source: S&P, NBER, Haver, and RBC Capital Markets

... and we just entered the expansion phase!



## U.S.: Equity market is not outgrowing the economy

*S&P 500 vs. Coincident Economic Indicator*

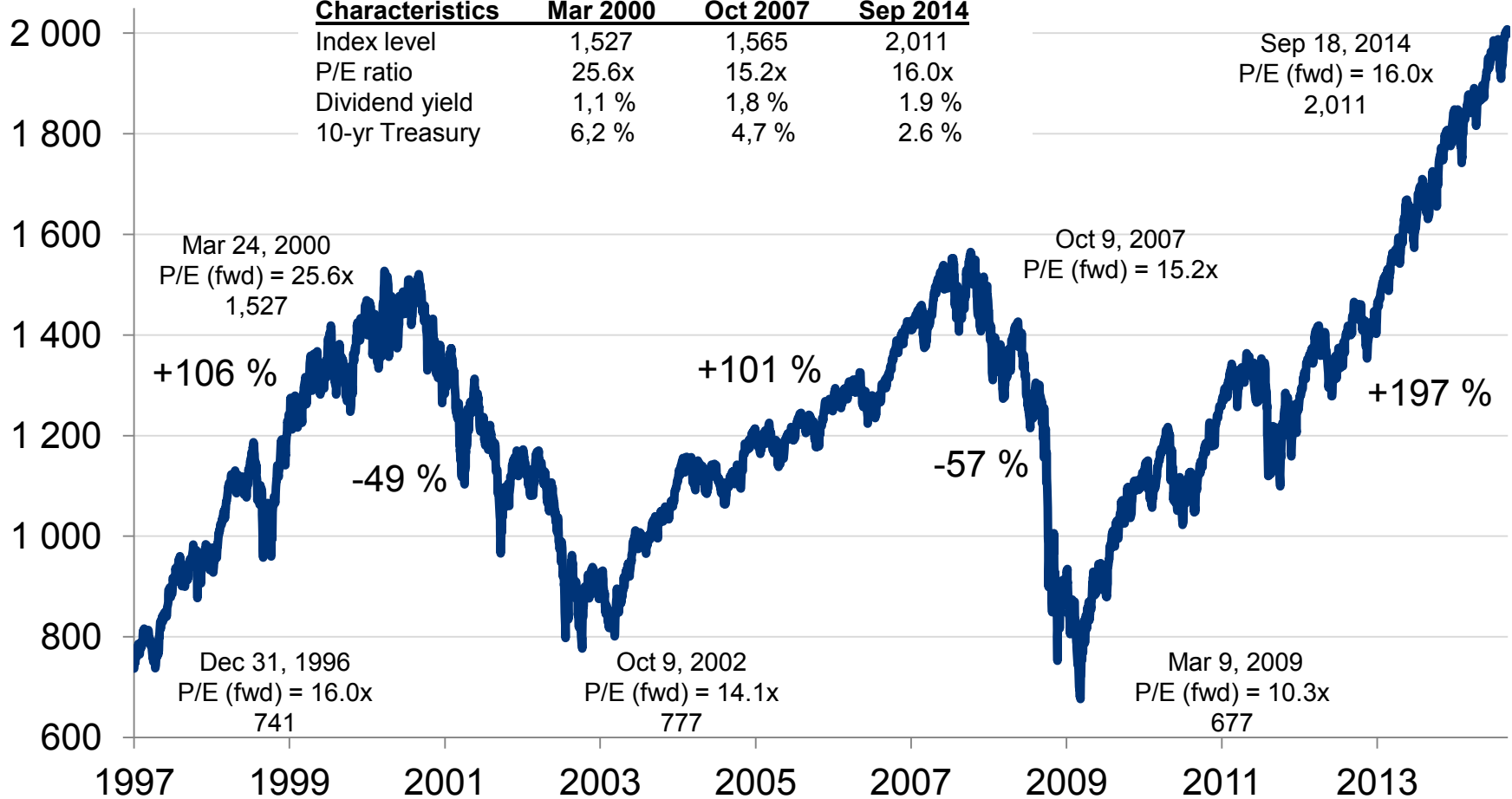


*NBF Economics and Strategy (data via Conference Board and Datastream)*



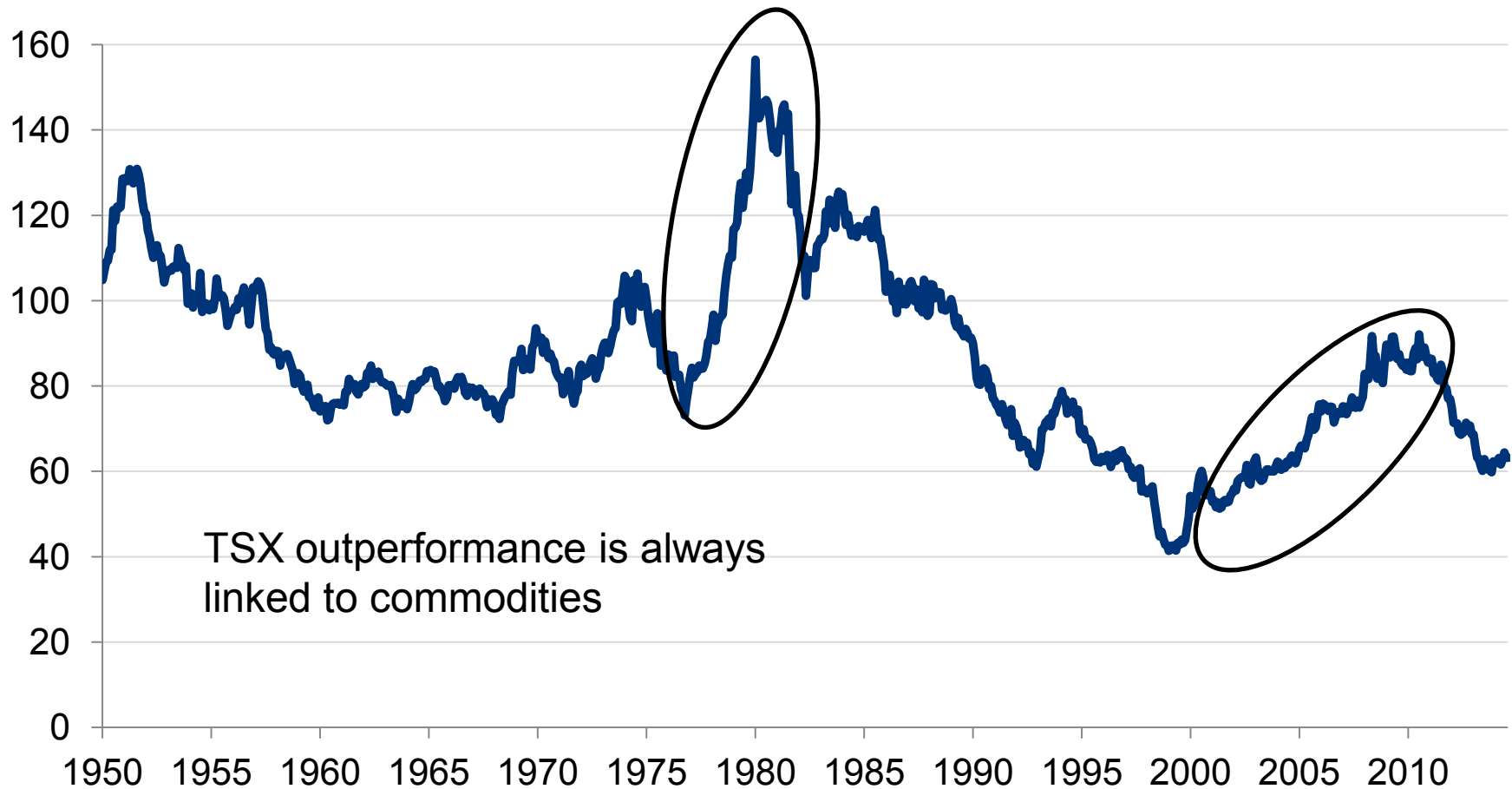
## S&P 500: Three different peaks

Characteristics	Mar 2000	Oct 2007	Sep 2014
Index level	1,527	1,565	2,011
P/E ratio	25.6x	15.2x	16.0x
Dividend yield	1,1 %	1,8 %	1,9 %
10-yr Treasury	6,2 %	4,7 %	2,6 %



## Relative performance, S&P/TSX vs S&P 500

1949 = 100





# Asset class returns : Performance in 2014 (as at September 30)



## ▶ Canadian bonds

- ▶ FTSE TMX Universe : +5.9%
- ▶ FTSE TMX Long: +11.6%
- ▶ Corps : +5.6%
- ▶ RRB : +11.7%

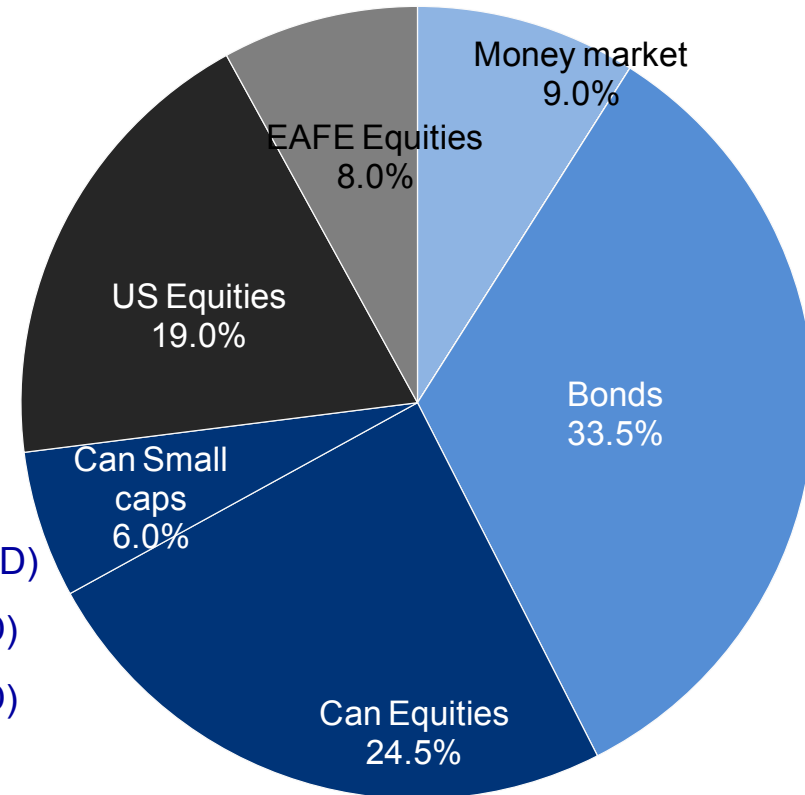
## ▶ Equities (total return)

- ▶ S&P/TSX : +12.2%
- ▶ TSX small cap.: +7.0%
- ▶ S&P 500 : +8.3% (+14.2% en CAD)
- ▶ EAFE : +1.7% (+3.9% en CAD)
- ▶ MSCI - Emerging : +2.9% (+5.7% en CAD)

## ▶ CAN Diversified funds\* :

- ▶ Diversified (FU040) : +8.9% YTD 2014 (+14.9% in 2013)
- ▶ Diversified security (FU240) : +8.7% YTD 2014 (+ 8.0% in 2013)
- ▶ Diversified opportunity (FU250): +10.8% YTD 2014 (+17.5% in 2013)

## Asset allocation FU040





Visit us:  
www.inalco.com/economy



Home Page | To Reach Us | Site Map | Available Positions | Français

Search

- Our Company
- Life's Turning Points
- Individual Products and Services
- Group Products and Services
- Careers
- Investor Relations

- Investor Relations
  - Stock Price
  - Dividends
  - Financial Reports
  - Prospectus
  - Financial News Releases
  - Events and Presentations
  - Credit Ratings
  - E-News Alerts
  - Shareholder's Guide



Share

**September 19, 2014**  
**VIDEO – Weekly economic review: Inflationary pressures are fading in the U.S. and China keeps on slowing down**

This week, inflationary pressures are fading in the U.S. and China keeps on slowing down.

[More details >](#)

**Biography**

Clément Gignac is Senior Vice-President and Chief Economist at Industrial Alliance Insurance and Financial Services. He serves as the company's spokesperson on economic matters.

[More >](#)

- [To reach us about this subject](#)
- [Printer friendly version](#)

**September 17, 2014**  
**Japan can look to Quebec for a solution to its work force problem**

The participation of women in the work force is crucial to solving a major demographic problem in Japan. The

**SUBSCRIBE TO OUR NEWSLETTER**

[Contact us](#)