

Weekly economic review

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01/31/20



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A look at this week's markets

At the close on Thursday



	<i>Week-to-date</i>		<i>Year-to-date</i>	
	Local currency	<i>In CAD</i>	Local currency	<i>In CAD</i>
Canadian Bonds (total return)				
FTSE TMX Universe	0.29%		2.67%	
FTSE TMX Long Corps	0.50%		4.86%	
	0.20%		2.47%	
Equities (total return)				
S&P/TSX	-0.40%		2.73%	
S&P 500	-0.34%	0.16%	1.75%	3.47%
MSCI EAFE	-2.33%	-1.75%	-0.63%	-0.17%
MSCI Emerging	-3.41%	-3.68%	-2.46%	-2.10%
Other	Current price	Return WTD*	Return YTD*	
Oil (WTI)	52.14 \$	-3.78%	-14.61%	
USD/CAD	0.7571 \$	-0.50%	-1.66%	
Gold	1 574.28 \$	0.17%	3.76%	

What caught our eyes this week

- **Coronavirus:**
 - Lessons from the SARS epidemic
- **Federal Reserve:**
 - Slightly more dovish than markets expected

A quick word on the current epidemic risks

Lessons from the SARS epidemic

SARS Stages	Period	DXY	UST 10 y (bp)	S&P 500	MSCI EM	Gold
1. Escalation	a) Nov 16 2002 - Jan 2 2003	-1.96%	0.00	-0.09%	-1.36%	7.96%
	b) Jan 2 2003 - Mar 12 2003	-4.68%	-0.45	-11.53%	-7.51%	-0.09%
	c) Mar 12 2003 - Apr 10 2003	1.69%	0.36	8.38%	3.93%	-5.55%
2. Stabilization	Apr 10 2003 - May 13 2003	-5.13%	-0.34	8.11%	4.74%	7.14%
3. De-escalation	May 13 2003 - Jul 31 2003	2.31%	0.80	5.09%	16.27%	1.29%

3 substages:

- a) when symptoms were reported and the first patient was diagnosed
- b) SARS spread around Asia and to the US
- c) the WHO issued its global warning among other events

Source: JP Morgan, Bloomberg, iAGP

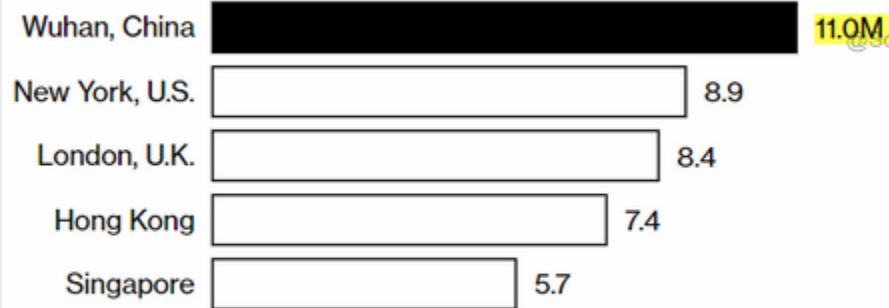
Important reminder: Investors were watching the U.S. – Iraq tensions, which culminated March 20th with U.S. invasion

Coronavirus:

China's economic size is now much larger, expect a larger economic impact

Massive City on Lockdown

Wuhan's population in comparison to other major cities, 2018 data

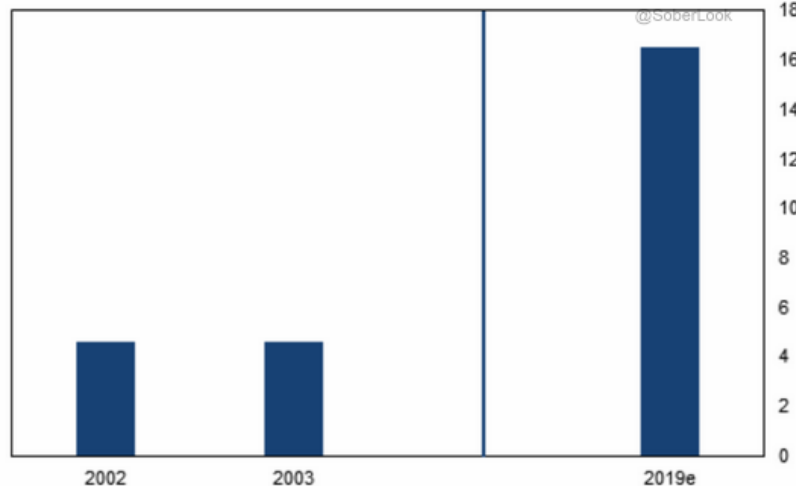


Sources: Wuhan Bureau of Statistics, U.K. Office for National Statistics, U.S. Census Bureau, World Bank

China A Much Larger Portion Of Global Economy

China - Nominal GDP, % of Global GDP

Posted on
WSJ. The Daily Shot
29-Jan-2020



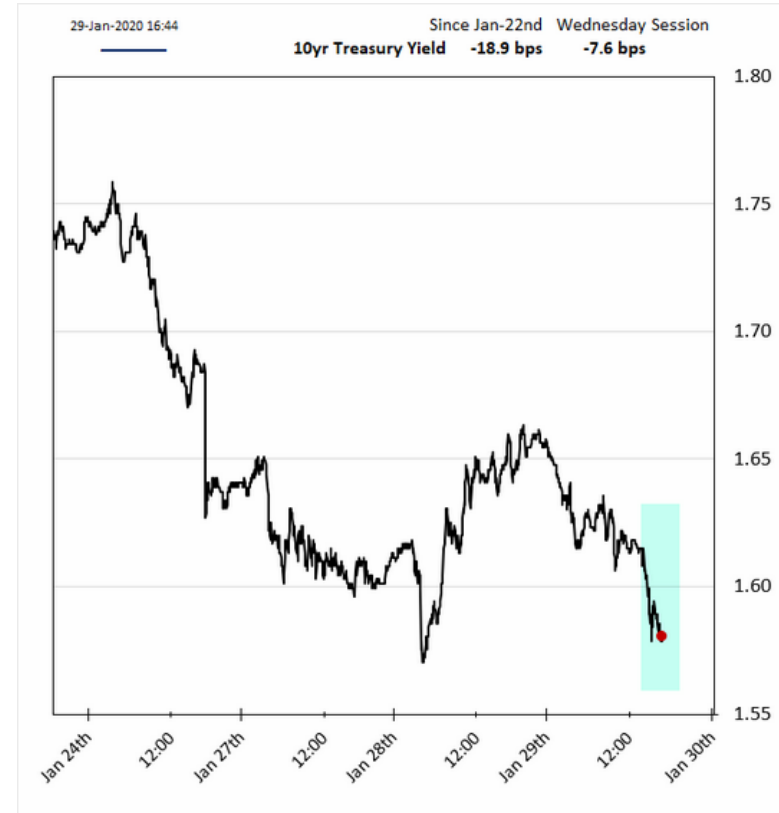
e = Fitch Solutions estimate. Source: NBS, Fitch Solutions

Fed holds rates steady, affirms commitment to higher inflation

PUBLISHED WED, JAN 29 2020 2:00 PM EST | UPDATED WED, JAN 29 2020 2:46 PM EST

KEY POINTS

- The central bank's Federal Open Market Committee said Wednesday it will hold its benchmark funds rate in a range between 1.5% to 1.75%, where it has been since the latter part of last year.
- The committee adjusted the language in its statement to reflect that policy is geared toward "inflation returning to the Committee's symmetric 2 percent objective."
- The decision was unanimous. Several board members last year objected to the Fed's rate cuts.



What we'll be watching next week

- **Canada:**

- Markit Manufacturing PMI (last month: 50.4 in December)
- Net Change in Employment (last month: 35.2K in December)
- Unemployment Rate (last month: 5.6 % in December)

- **U.S.:**

- ISM Manufacturing Index (consensus: higher at 48.4 in January)
- ISM Non-Manufacturing Index (consensus: stable at 55.0 in January)
- Change in Non-Farm Payroll (consensus: higher at 158K in January)
- Unemployment Rate (consensus: stable at 3.5% in January)

- **Europe:**

- Markit Manufacturing PMI (consensus: stable at 47.8 in January)
- Retail Sales (consensus: -0.4% MoM in December)

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