



Sébastien Mc Mahon, MEcon., PRM, CFA
Frédéric Gagnon, MFin

economics@ia.ca or ia.ca/economy

The Fed cuts its rate for the first time in 11 years!

World

The general decrease in interest rates continues around the globe, so much so that approximately 14 trillion (thousand billion) U.S. dollars worth of sovereign bonds is trading at negative rates. Germany's 10-year rates dropped to a historic low of -0.47% whereas 30-year rates are heading straight to 0%. This generalized downward movement of interest rates is a result of trade tensions, the primary risk currently weighing on global economic perspectives, and the simultaneous reaction of the major central banks, which have done an about-face and are now in monetary stimulus mode.

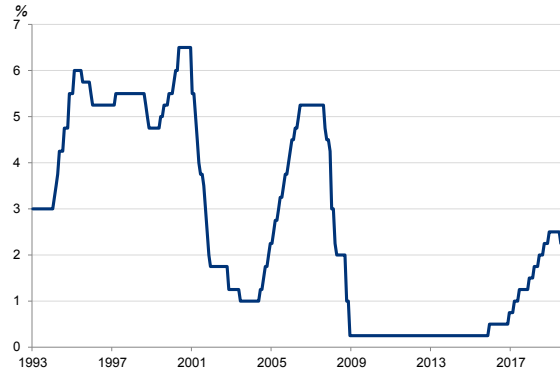
Germany: interest rates now at historic lows
10-year sovereign yields, in %



North America

The Federal Reserve ("Fed") cut its leading rate by 0.25% in July, a decision that was eagerly awaited by financial markets. During the press conference, Fed president Jerome Powell explained that this decision reflected a mid-cycle adjustment of the monetary policy and should not be interpreted as the start of a long leading rate reduction cycle. The Fed indicated that it continues to work toward sustained expansion of economic activity, but estimates that monetary easing is justified at this time. According to Powell, the U.S. domestic economy is doing well, with its strong labour market; however, an insurance policy against increased trade tensions was necessary.

U.S.: the first rate cut in over a decade!



Financial markets

Despite its recent weakness, the Canadian dollar has performed best versus the U.S. dollar since the beginning of the year compared to other G10 currencies. This is explained, in part, by higher oil prices in 2019, but especially by the anticipated divergence toward both countries' monetary policies. While the Fed has officially eased its monetary policy, the accumulation of positive economic surprises should encourage the Bank of Canada to, at a minimum, keep its leading rate at the current level over the next few months.

Currencies: the loonie leading the pack!
YTD return of major currencies versus U.S. dollar, as of July 31, 2019

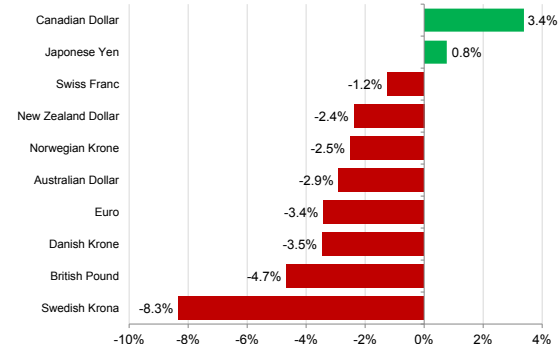


Table of net returns as at July 31 , 2019

Ecoflex / My Education

	Unit Value \$	Net assets ¹ in millions \$	Simple returns ²			Compound annual returns				MER ³ %	Investment Advisor	
			1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %			
Focus Funds												
Focus Prudent	16.74	165.0	0.2	1.1	6.3	2.7	0.7	1.4	2.7	3.19	Various Managers	
Focus Moderate	17.86	254.9	0.3	0.4	7.0	1.3	1.3	1.6	3.2	3.24	Various Managers	
Focus Balanced	18.93	435.4	0.4	(0.3)	7.6	(0.1)	1.8	1.7	3.7	3.26	Various Managers	
Focus Growth	19.93	146.6	0.5	(1.0)	8.2	(1.6)	2.3	1.9	4.2	3.29	Various Managers	
Focus Aggressive	20.90	55.1	0.6	(1.7)	8.9	(3.1)	2.7	2.0	4.6	3.33	Various Managers	
Selection Funds												
Selection Prudent	11.60	96.9	0.1	0.4	6.4	2.6	1.4	2.0	-	2.98	Various Managers	
Selection Moderate	11.70	186.0	0.2	(0.2)	6.9	1.3	1.6	2.0	-	3.13	Various Managers	
Selection Balanced	12.00	246.5	0.3	(1.0)	7.7	0.1	2.2	2.4	-	3.27	Various Managers	
Selection Growth	12.19	110.2	0.4	(1.6)	8.4	(1.1)	2.8	2.6	-	3.45	Various Managers	
Selection Aggressive	12.23	32.7	0.4	(2.3)	8.9	(2.5)	2.7	2.6	-	3.62	Various Managers	
Income Funds												
Money Market	17.22	330.0	0.1	0.1	0.3	0.5	0.3	0.3	0.2	1.66	Industrial Alliance	
Short Term Bond	15.37	195.4	(0.2)	0.1	1.5	2.0	(0.4)	0.0	0.7	2.41	Industrial Alliance	
Bond	29.89	2,869.7	0.0	2.3	5.5	5.8	0.5	1.8	2.4	2.42	Industrial Alliance	
Core Plus Bond	10.92	59.6	0.1	0.4	2.8	1.3	0.1	(0.1)	-	2.78	iA Clarington	
SPECIALTY	Strategic Corporate Bond ⁶	13.11	197.0	0.5	0.0	4.0	0.6	3.0	2.1	-	2.73	iA Clarington
	Real Return Bond	9.37	7.1	0.3	3.1	7.4	4.4	(0.9)	0.3	2.2*	2.69	Industrial Alliance
Diversified Funds												
Diversified Security	21.57	684.6	0.2	0.9	5.9	1.5	0.4	1.8	3.1	3.18	Industrial Alliance	
Diversified	42.49	2,296.4	0.4	0.3	8.4	0.0	1.2	2.4	4.2	3.19	Industrial Alliance	
Diversified Opportunity	26.86	600.7	0.5	(0.2)	10.0	(0.9)	1.7	2.2	4.4	3.23	Industrial Alliance	
Canadian Balanced (QV)	13.62	138.4	(0.5)	(2.1)	5.5	(3.6)	(1.0)	(0.8)	3.3*	3.57	QV Investors Inc.	
SRI Balanced (Inhance)	15.12	46.7	0.4	0.4	9.8	3.3	3.1	2.7	-	3.74	Vancity	
Diversified Income	27.46	444.9	0.3	(0.4)	9.6	(0.8)	2.1	2.8	6.3	3.07	Industrial Alliance	
Strategic Income	14.07	168.7	0.2	(0.2)	8.3	2.3	3.6	2.0	-	3.62	iA Clarington	
Global Diversified (Loomis Sayles)	15.32	263.2	1.1	0.5	14.2	6.5	8.4	5.5	6.7	3.39	Loomis Sayles	
Tactical Income	18.76	20.9	0.2	(0.2)	7.4	2.6	3.0	0.7	4.2*	3.59	iA Clarington	
Canadian Equity Funds												
Strategic Equity Income	17.52	210.5	0.0	(0.5)	10.2	2.6	4.6	3.4	6.6	2.64	iA Clarington	
Dividend Growth	21.10	947.8	(0.1)	(2.4)	12.9	1.9	5.9	3.9	6.4	2.89	Industrial Alliance	
Canadian Conservative Equity	19.75	128.1	(0.5)	(3.0)	11.8	3.7	4.3	(0.2)	5.0	3.23	iA Clarington	
Canadian Equity Index	23.54	415.0	0.0	(1.4)	13.8	0.4	5.0	2.1	4.1	3.02	Industrial Alliance	
Select Canadian ⁵	29.13	17.1	0.3	(1.5)	12.8	(1.5)	3.0	(0.7)	2.9	3.08	Industrial Alliance	
Canadian Equity Value	46.42	149.1	0.5	(1.6)	11.8	(2.7)	3.4	0.7	3.4	3.13	Industrial Alliance	
Canadian Equity	17.56	135.0	0.8	(7.6)	0.0	(12.9)	1.5	(1.9)	1.6	3.01	Industrial Alliance	
Fidelity True North [®]	35.95	271.4	0.4	0.3	11.4	1.7	3.0	3.0	6.0	3.70	Fidelity	
Canadian Equity Growth	31.39	703.8	0.6	(1.0)	14.5	(0.8)	5.1	2.7	5.7	3.02	Industrial Alliance	
Fidelity Canadian Opportunities	42.12	136.5	0.4	0.4	12.7	8.3	4.6	5.1	8.3	3.71	Fidelity	
Canadian Equity Small Cap (QV)	21.83	151.5	0.7	0.9	10.8	(5.2)	2.2	0.5	8.9*	3.97	QV Investors Inc.	

Table of net returns as at July 31 , 2019

Ecoflex / My Education

	Unit Value \$	Net assets ¹ in millions \$	Simple returns ²			Compound annual returns				MER ³ %	Investment Advisor
			1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %		
U.S. & International Equity Funds											
Global Equity Index ACWI (BlackRock)	24.44	188.9	0.3	(3.0)	9.5	0.2*	6.7*	7.1*	7.6*	3.48	BlackRock
Global Dividend (Dynamic)	24.02	609.3	1.0	1.5	17.4	11.6	14.2	13.9	11.3	3.54	Dynamic
Global Equity	17.91	28.2	1.0	(1.8)	9.8	(5.2)	4.3	6.2	8.1	3.54	Industrial Alliance
Global Equity (Templeton)	16.13	237.2	(1.7)	(6.2)	1.6	(11.5)	2.7	2.3	6.0	3.68	Templeton
Global Opportunities (Radin)	13.95	19.8	(2.6)	(11.2)	(3.8)	(16.2)	(3.2)	(0.1)	-	3.96	Radin Capital Partners
Fidelity NorthStar®	17.87	181.9	0.0	(4.6)	(1.3)	(6.7)	(1.6)	3.0	7.7	3.75	Fidelity
International Equity Index (BlackRock)	10.24	76.2	(1.0)	(3.5)	6.6	(4.4)	4.1	3.3	5.0	3.03	BlackRock
International Equity	19.55	600.2	0.3	(1.9)	9.5	(5.7)	3.5	4.0	5.2*	3.70	Industrial Alliance
International Equity (Templeton)	16.06	50.9	(2.7)	(7.9)	(1.7)	(12.7)	1.1	0.2	3.2	3.70	Templeton
Fidelity European Equity	12.81	60.9	(3.4)	(6.4)	6.3	(6.4)	3.6	2.0	5.2	3.77	Fidelity
U.S. Equity Index (BlackRock)	20.72	223.9	1.6	(1.6)	13.3	5.4	9.9	11.8	12.6	3.04	BlackRock
U.S. Dividend Growth	18.75	204.6	1.9	0.2	12.2	(3.3)	4.4	7.9	8.7	3.53	Industrial Alliance
U.S. Equity ⁴	12.08	38.0	1.6	(1.6)	10.3	(5.4)	3.9	7.6	9.7	3.40	Industrial Alliance
Thematic Innovation - Currency Neutral	19.52	63.5	0.4	1.9	11.4	(3.8)	0.5	0.6	6.7*	3.97	Industrial Alliance
Specialty Funds											
Asian Pacific (Dynamic)	9.06	80.2	0.9	(6.4)	12.9	1.1	5.8	5.2	6.9	3.34	Dynamic
Emerging Markets (Mackenzie)	12.68	31.9	(3.1)	(2.9)	5.0	(6.1)	1.1	(2.6)	2.2	4.44	Mackenzie Cundill
Global Health Care (Renaissance)	35.17	173.5	1.0	1.4	5.8	1.6	2.5	9.1	12.9	3.81	CIBC
Real Estate Income	36.13	67.5	1.5	2.1	12.5	7.5	5.0	5.7	10.1	2.95	Industrial Alliance
U.S. DAQ Index	16.55	203.9	2.6	(2.1)	17.4	6.9	16.0	16.9	17.0	3.20	Industrial Alliance
Education Savings Plan											
Diploma Elementary	17.41	976.2	0.2	(0.4)	9.0	2.3	3.3	3.3	4.5	3.61	Industrial Alliance
Diploma Secondary	11.81	283.7	0.0	0.5	3.8	1.8	(0.3)	0.2	0.7	3.60	Industrial Alliance
Not offered to new contract subscribers											
Diploma	14.84	179.3	0.2	(0.4)	9.2	2.7	3.6	3.7	4.9	3.63	Industrial Alliance
Dividend	53.42	1,098.8	0.0	(2.4)	12.9	1.2	5.8	4.2	7.0	2.40	Industrial Alliance

Returns after deduction of MER (Management expense ratio). Past performance is not a guarantee of future returns.

The *EcoStrategist in Brief* | Ecoflex / My Education economic and financial bulletin, produced monthly, and its more exhaustive quarterly version, are available at ia.ca, under Individuals, Savings and Retirement, Economic and Financial Publications.

¹ Total net assets of the fund including individual and group contracts.

² The rates for the period are non-annualized.

³ Management expense ratio (GST and HST included).

⁴ Industrial Alliance has managed this fund since March 2010. Prior to that date, it was managed by Legg Mason.

⁵ Not offered in registered contracts and TFSA's

⁶ Fund closed to new investments as of June 30th, 2015.

* Simulation of past returns as if the fund had been in effect for these periods.

Index funds: Simulation of past returns from the return of the index that the fund aims to reproduce.

Total Return Reference indexes²

Returns as at July 31 , 2019

	Simple returns ¹			Compound annual returns			
	1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %
Indexes related to Income Funds							
FTSE Canada 91 Day T-Bill Index	0.1	0.4	1.0	1.6	1.0	0.9	0.9
FTSE Canada Short Term Bond Index	0.0	0.6	2.7	4.2	1.5	1.9	2.5
FTSE Canada Universe Bond Index	0.2	2.8	6.7	8.3	2.4	3.8	4.5
SB - World Government Bonds (Can. \$)	0.0	1.1	0.8	6.3	0.9	4.8	4.0
Indexes related to Canadian Equity Funds							
S&P/TSX 60	0.2	(0.7)	16.2	3.4	8.2	5.2	7.2
S&P/TSX Completion Index	0.7	1.2	18.1	2.1	4.0	2.2	8.2
S&P/TSX Composite Index	0.3	(0.3)	16.6	3.0	7.1	4.4	7.4
S&P/TSX Capped Composite Index	0.3	(0.3)	16.6	3.0	7.1	4.4	7.4
Indexes related to U.S. & International Equity Funds							
S&P 500 (Can. \$) (Reuters)	1.9	(0.7)	15.6	8.9	13.6	15.6	16.3
MSCI - World (Can. \$)	1.0	(1.5)	13.0	4.5	10.7	11.1	12.1
MSCI - World Small Cap. (Can. \$)	1.1	(2.8)	12.5	(2.1)	9.5	11.3	14.0
MSCI - EAFE (Can. \$)	(0.8)	(2.8)	8.2	(1.8)	7.1	6.3	7.9
MSCI - EAFE (Can. \$) (Reuters)	(0.8)	(2.8)	8.2	(1.8)	7.1	6.3	7.9
MSCI - Europe (Can. \$)	(1.4)	(3.2)	9.8	(1.8)	7.8	6.2	8.5
Index related to Specialty Funds							
MSCI - AC Asian Pacific Free (Can. \$)	(0.3)	(3.8)	5.6	(1.5)	8.3	8.0	8.5
MSCI - Emerging Markets (Can. \$)	(0.7)	(4.8)	5.3	(1.0)	9.1	6.1	7.0
MSCI - World Health Care (Can. \$)	(0.6)	0.7	4.7	4.7	7.3	11.9	15.1
NASDAQ 100 (Can. \$)	2.8	(1.5)	19.2	9.5	18.7	19.4	19.5
S&P/TSX Capped REIT Index	1.6	3.5	15.8	14.6	8.7	8.8	13.2
Exchange Rate (Can. \$ / US \$)							
As at July 31 , 2019: 1.31	0.5	(2.4)	(3.9)	0.9	0.2	3.8	2.0
Exchange Rate (US \$ / Can. \$)							
As at July 31 , 2019: 0.76	(0.5)	2.4	4.0	(0.8)	(0.2)	(3.7)	(1.9)

¹ The rates for the period are non-annualized.

² Please refer to the Legal Notices on page 5 for more information about these indexes.

This publication contains information provided by companies not affiliated with iA Financial Group (“Third Party Content Providers”), including, but not limited to, ratings, stock indexes and company-classification systems (“Third Party Content”). Third Party Content is the property of and trademarked by the relevant Third Party Content Provider and has been licensed for use by iA Financial Group.

The information presented in this publication is provided for informational purposes only. iA Financial Group and Third Party Content Providers make no representations or warranties as to the information contained herein and do not guarantee its accuracy, timeliness, completeness or usefulness. iA Financial Group and Third Party Content Providers shall have no liability related to the use or misuse of the information provided herein.

The investment funds offered by iA Financial Group (“Funds”) are not sponsored, endorsed, issued, sold or promoted by Third Party Content Providers. The latter shall bear no liability whatsoever with respect to any such Funds. Third Party Content Providers make no express or implied warranties with respect to the Funds, nor do they make any representation regarding the advisability of investing in the Funds.

Financial and economic publications of iA Financial Group are not written, reviewed or approved by Third Party Content Providers.

Any information contained herein may not be copied, used, or distributed without the express consent in writing of iA Financial Group and/or the relevant Third Party Content Provider.

FTSE

Where FTSE indexes are used, or referenced: FTSE International Limited (“FTSE”) © FTSE [2019]. FTSE® is a trademark of the London Stock Exchange Group companies and is used by FTSE under licence. “NAREIT®” is a trade mark of the National Association of Real Estate Investments Trusts and “EPRA®” is a trademark of the European Public Real Estate Association and all are used by FTSE under licence.

NASDAQ

Nasdaq®, OMX™, NASDAQ-100®, and NASDAQ-100 Index®, are registered trademarks of NASDAQ, Inc. and are licensed for use by iA Financial Group.

GICS Classification

Where the Global Industry Classification Standard (“GICS”) is used, or referenced: the GICS was developed by and is the exclusive property and a service mark of MSCI Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by iA Financial Group.

MSCI

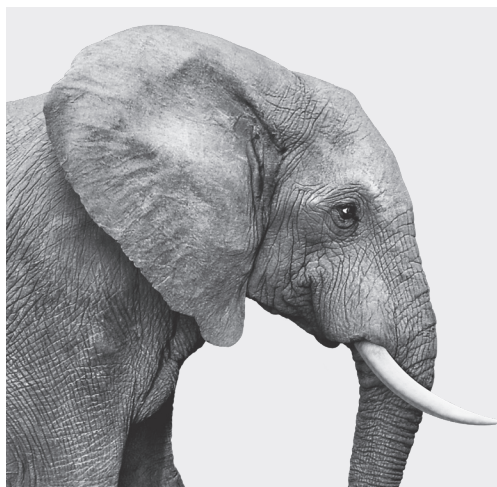
The International Equity Index Fund, the Global Equity Index ACWI Fund, the Global Stock Account, the European Stock Account and the International Stock Account are each indexed to an MSCI index. MSCI indexes are licenced for use by iA Financial Group.

For more information about the MSCI indexes, visit <https://www.msci.com/indexes>.

Economic and Financial Statistics as at July 31 , 2019

	As at 2019-07-31 ¹	As at 2018-12-31
Canada - Unemployment rate	5.5%	5.6%
Canada - CPI (year/year variation)	2.0%	1.7%
Canada - GDP (year/year variation)	1.4%	2.2%
U.S. - Unemployment rate	3.7%	3.7%
U.S. - CPI (year/year variation)	1.6%	2.2%
U.S. - GDP (year/year variation)	2.3%	3.0%
2-year Canada Bonds	1.53%	1.86%
10-year Canada Bonds	1.49%	1.96%
Oil (West Texas) (US \$)	58.58	45.41
Gold (US \$)	1,427.7	1,281.3
CRB Commodities Index (US \$)	178.5	169.8
Exchange rate Can. \$/US \$	1.3131	1.3658

¹ Most recent data available at such date.



ia.ca

iA Financial Group is a business name and trademark of
Industrial Alliance Insurance and Financial Services Inc.

INVESTED IN YOU.