

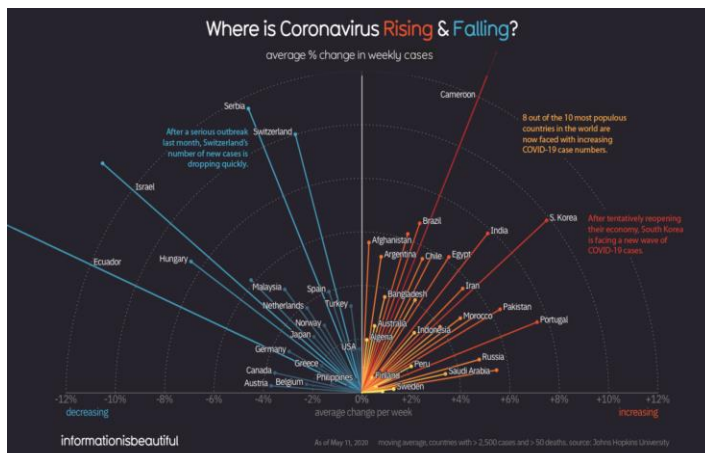
The Road to Recovery? Still seems long and winding...

Month-end Update – May 29, 2020

As we approach the 3rd month of the COVID19 pandemic, we continue to take stock of how life had changed and its effect on our psyche. During the process, the pandemic made the N95 mask the most sought-after commodity in the planet. It has no doubt become the symbol of our time—as we adjust to post-pandemic life.

*“STUCK INSIDE THESE FOUR WALLS,
SENT INSIDE FOREVER. NEVER SEEING
NO ONE NICE AGAIN...”
BAND ON THE RUN,
PAUL MCCARTNEY & WINGS*

Despite continued coronavirus concerns, all US states had lifted restrictions to re-open the economy by Memorial Day weekend. A sign at a Washington demonstration dramatizes the irony of it all, “Give me liberty or give me Covid19.” Protestors believed the safety measures put in place were an open attack on American basic freedom. United States: Coronavirus Cases: 1,850,288; Deaths: 106,582; Recovered: 607,685



In Canada, most provinces had lifted restrictions and opened parts of the economy after Victoria Day—as life tries to get back to some normalcy. Canadian officials acknowledge some regions were closer to re-opening parts of the economy than others. Haircut anyone? Canada: Coronavirus Cases: 91,647; Deaths: 7,325; Recovered: 49,476

There will be a new sheriff in town for the Bank of Canada as Stephen Poloz steps down in June. Finance Minister, Bill Morneau, had elected Tiff Macklem as the new

Bank of Canada Governor. In 2013, he was widely expected to succeed as BOC Governor with the appointment of Mark Carney as Governor of the Bank of England; but he was passed over for David Dodge. Mr. Macklem is touted as more than highly-qualified for the job—a deep knowledge of monetary policy and financial stability issues with a proven crisis management track record.

Although, new geopolitical concerns with US-China relations and economic growth issues continue to affect markets, most broad market indices ended May on the upside—extending a rally that began after the coronavirus-crisis March 23 bottom. By in large, investors continue to respond positively to the amount of fiscal and monetary stimulus, the flattening of the curve in several pandemic hot spots and the economic reopening throughout the U.S. and Europe.

- Canadian equities had a positive month in May, with the S&P/TSX Composite up 3%. From its March 23 lows, the S&P/TSX is up 35%. Although, it is still down **9.7%** YTD 2020.
- The Dow Jones Industrial Average closed at 25,383.11. The index rose 4.3% in May and has risen 36.5% from its closing low on March 23—but down **11.1%** YTD.
- The S&P 500 Index rose 4.5% in May—up 36.1% since March 23 lows; still down **5.8%** for 2020.
- The Nasdaq Composite Index advanced 6.8% in May, up 38.3% since March 23 and up **5.8%** YTD 2020.
- Global equities rose 4.7% in May, as measured by the S&P Global BMI—down **9.7%** YTD

Information Technology, Materials and Communications Services were the top sectors for the month of May.

INDEX	1M	YTD	12M
S&P 500 Sectors			
Information Technology	7.05%	7.29%	38.42%
Materials	6.97%	-8.89%	8.14%
Communication Services	6.01%	0.21%	16.42%
Industrials	5.50%	-16.32%	-3.81%
Consumer Discretionary	4.97%	2.13%	15.58%
Utilities	4.40%	-6.79%	6.09%
Health Care	3.29%	1.61%	21.15%
Financials	2.72%	-23.37%	-7.83%
Real Estate	1.91%	-9.86%	-1.73%
Energy	1.88%	-34.49%	-29.25%
Consumer Staples	1.51%	-5.34%	9.39%
S&P Dow Jones Indices, May 29, 2020			

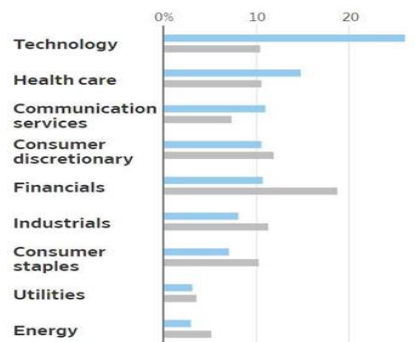
Although equity prices have rebounded, earnings expectations have not—which leads some market experts believing we may be setting up for another re-test of the lows.

The S&P 500 is trading at 21.85 times its expected earnings over the next 12 months—the highest multiple since June 2001 (long-term Fair Value multiple is 15x to 16x). This compares with 18.24 times for the Stoxx Europe 600 and 10.70 times for the Hang Seng Index.

US stocks continue to lead the world. Optimism about state/business re-openings and a potential development of a Covid19 vaccine lifted the S&P 500 36% from its March low. Meanwhile, the Stoxx Europe 600 is down 16% in 2020 and the Hang Seng Index is off 19%. Investors point to “a booming technology sector and an unprecedented amount of stimulus from the Federal Reserve” as reasons for the outperformance.

Although, the U.S. rally has largely been driven by a surge in large-cap tech: FAANGM—Facebook, Amazon, Apple, Netflix, Google and Microsoft. The sector is the best-performing group in the S&P 500 YTD—up 6.7%. Technology makes up 25% of the index, compared with 10% of the MSCI all-country index. By contrast, Financial shares make up only about 10% of the U.S. benchmark, while it accounts for 20% of the global index.

Index weighting, selected sectors
 ■ S&P 500 ■ MSCI ACWI ex USA Index



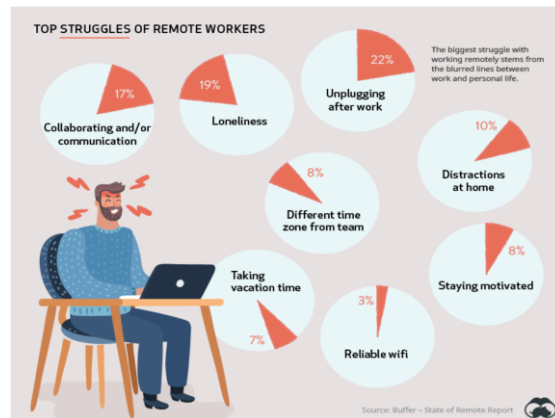
Note: S&P data as of May 27; MSCI data as of April 30
 Sources: S&P Dow Jones Indices; MSCI

Exhibit 3: Five largest stocks have returned +15% YTD vs. -8% for the remaining 495 stocks as of May 27, 2020



Source: FactSet, Goldman Sachs Global Investment Research

The COVID-19 pandemic has forced many people into the “work-from-home experiment.” This forced trend has a lot of people now re-evaluating their career aspirations. The result, 98% of people would like to have the option to work remotely for the rest of their careers. Although the benefits are there, it’s not all sunshine and rainbows. 😊



In light of the equity market’s recent outperformance, Caution remains due to the uncertainty of economic growth prior to an approval and delivery of a vaccine. Many consumers are choosing to save more than spend due to fear of infection and employment uncertainty. Asset Allocation and vigilance to risk management should continue to be a priority for portfolios.

Stay safe and Healthy.

Your Success is Our Success....

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