



**UPPER CANADA CAPITAL**  
PRIVATE WEALTH MANAGEMENT

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## Happy Autumn!

### THIRD QUARTER – Market Update

#### Global markets continue to climb

Global equity markets had modest returns in the third quarter after a stellar first half of the year. Markets traded sideways due to 3 main factors--a slowing global economy, which affected company earnings, rising geopolitical tensions in the Middle East, and ongoing trade tensions between the United States and China, which affected global trade volumes.

#### Canada

The S&P/TSX rose 1.7 percent during the third quarter, equating to a 16.3 percent return for the first nine months of the year. Eight of the ten sectors were positive, while industrials and health care, led by marijuana companies, are seeing negative downturns for the quarter. The price of oil spiked after an attack on a major Saudi Arabian oil production and refining facility, causing a disruption to 5 percent of the country's oil supply. Prices retreated after production recovered within a few weeks, but they remain in bear market territory. On the political front, markets will be keeping a close eye on the Canadian federal election in October.

#### The United States

Despite the continuing tariff and trade dispute and a mediocre U.S. economy, the S&P 500, Dow Jones and Nasdaq were up 1.2, 1.2 and -0.1 percent, respectively, during the quarter. This resulted in 18.7, 15.4 and 20.6 percent returns through 2019. U.S. stocks reached new heights in July ahead of the U.S. Federal Reserve's first rate cut in a decade, before dropping due to the lingering trade war with China, which has begun to impact the U.S. economy. U.S. company earnings for the second quarter were mediocre, driven by a weaker global economy (S&P 500 companies generate more than half of their sales from overseas markets), as well as some deterioration in corporate profit margins.

#### Overseas

International equities declined 1.7 percent in U.S. dollars during the quarter, resulting in a 9.9 percent return for the first nine months of the year, as measured by the MSCI EAFE index (Europe, Asia & Far East). The JPMorgan Global Manufacturing Purchasing Managers Index (PMI), which gauges global economic health, has continued to deteriorate since the beginning of last year. U.S.-China negotiations, coupled with Brexit concerns will continue to cloud the global economic story until resolutions are achieved.

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### Central Bank Policy

The rate-cutting trend of global central banks continued last quarter. The U.S. Federal Reserve and the European Central Bank were joined by several Emerging Market policy makers in slashing interest rates to support their economies. Central Banks will likely remain accommodative into 2020 based on low inflation but positive economic growth. It's expected that the United States will cut an additional 25 basis points (bps) before the end of 2019. The Bank of Canada will most likely follow suit and reduce interest rates by 25 bps before the end of the year.

### Looking forward

Heading into the fourth quarter, investors will be paying very close attention to the developments, or lack thereof, in the next round of U.S.-China trade talks in mid-October. The world's two largest economies have been locked in escalating trade tensions for more than a year. Both countries have slapped tariffs on hundreds of billions of dollars' worth of imports on each other. The results of these negotiations will likely be the single largest driver of volatility and returns over the coming months as it relates to both equities and fixed income investments.

As always, if you have any questions about the markets or your investments, I'm here to talk.

Warm regards,

- Kurt

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