TD Wealth

Honest Straightforward Advice

Q2 Commentary & Market Outlook

Coming off a very strong start to the year in the first quarter, global capital markets continued to chart a generally positive course through the second quarter of 2019. Although ongoing trade disputes unsettled investors for much of the period, equity markets around the globe moved higher, while bond prices also climbed as central banks maintained an easy monetary policy stance.

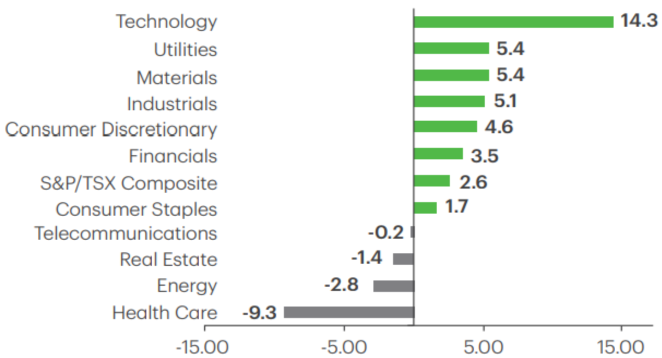
Canadian Equities

Indices	Q2/19 Return	YTD Return
S&P/TSX Composite Index	2.58%	16.22%
S&P/TSX 60 Index	2.98%	15.90%

Source: Bloomberg Finance L.P. as at June 30, 2019.

In Canada, the S&P/TSX Composite Index benefited from the strength in the materials, utilities and technology sectors to generate a return of 2.58% for the quarter. 8 of 12 sectors posted a positive return bringing the equity benchmark's overall gain to 16.22% for the year to date. Large-cap stocks outperformed mid and small cap stocks, and growth stocks outperformed their value counterparts.

Q2/19 S&P/TSX Sector Returns

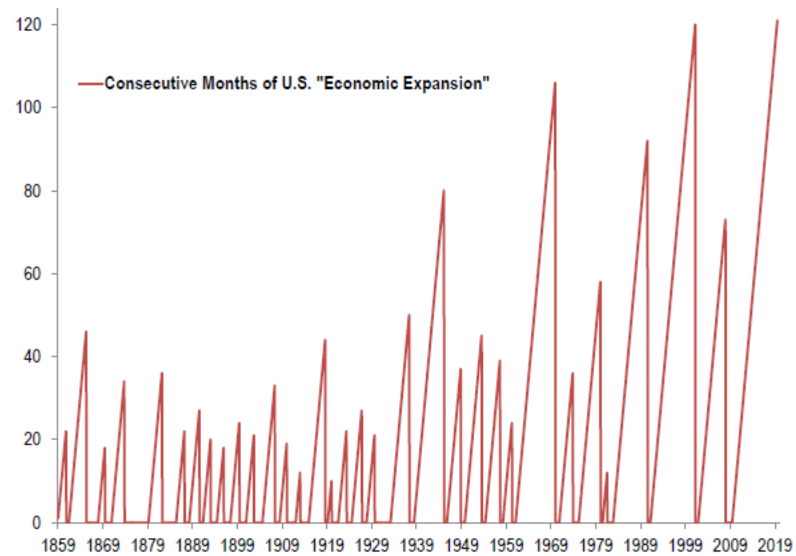


Source: Bloomberg Finance L.P., as at June 30, 2019. Index Total Returns.

US Equities

Indices	Q2/19 Return	Q2/19 Return (C$)	YTD Return	YTD Return (C$)
Dow Jones Industrial Average Index	3.21%	1.09%	15.40%	10.90%
S&P 500 Index	4.30%	2.17%	18.54%	13.92%

Source: Bloomberg Finance L.P. as at June 30, 2019.



Source: Haver Analytics, NBER, Dynamic Funds

In the US, equity markets seesawed in Q2 on trade pessimism in May, then rebounded in June on assurances by the Fed. The S&P 500 Index reached new all-time highs early in the quarter and finished the three month period 2.17% higher in Canadian dollar terms. The US also, crossed the line into its longest economic expansionary period in history (based on available data back to 1857) that commenced when the Great Recession ended in June 2009. While this decade long expansion has been historic, the pace of GDP growth has been below average relative to history.

International Equities

Most overseas equity markets also registered modest gains, and the MSCI World Index added about 1.9% for the quarter, also in Canadian dollars. The Shanghai Composite PR Index fell 3.6% in Q2, as tariff threats and sanctions against Huawei Technologies took their toll

Canadian & US Fixed Income

The equity market rally was supported, in part by continued low interest rates in North America and abroad. The US Federal Reserve (Feds) kept its target interest rate unchanged and TD Economics believes that the Fed is considering the possibility of a rate cut in the second half of 2019 and are forecasting two 25-bps cuts, which has prompted the US 10-year government bond yield to decline through this period. As expected, the Bank of Canada (BoC) also maintained its overnight lending rate of 1.75%, noting that economic growth had been slower than initially anticipated at the beginning of the year. As the Bank of Canada has less ammunition at its disposal, with an already low policy rate (relative to the Feds range of 2.25% to 2.50%). Rate hikes this year are now off the table, barring a robust late-year recovery. This was positive for bond prices and the FTSE Canada Universe Bond Index, returned

2.5% for the second quarter. TD Economics now expects the BoC to remain on the sidelines for the remainder of the year.

Many of the conditions that have supported market growth in recent years such as low interest rates, economic growth and expanding corporate earnings are expected to continue in the near term. Nevertheless, the current recovery has not been without temporary corrections or bouts of volatility. We continue to believe that a diversified portfolio that is suited to your time horizon and risk tolerance remains the best strategy for managing risk and helping you achieve your financial goals.

If you have any questions or concerns about your account or require additional information, please do not hesitate to give our offices a call.

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