

# Space and time

Brad Simpson, Chief Wealth Strategist

Monthly Perspectives // November 2020

15 minutes



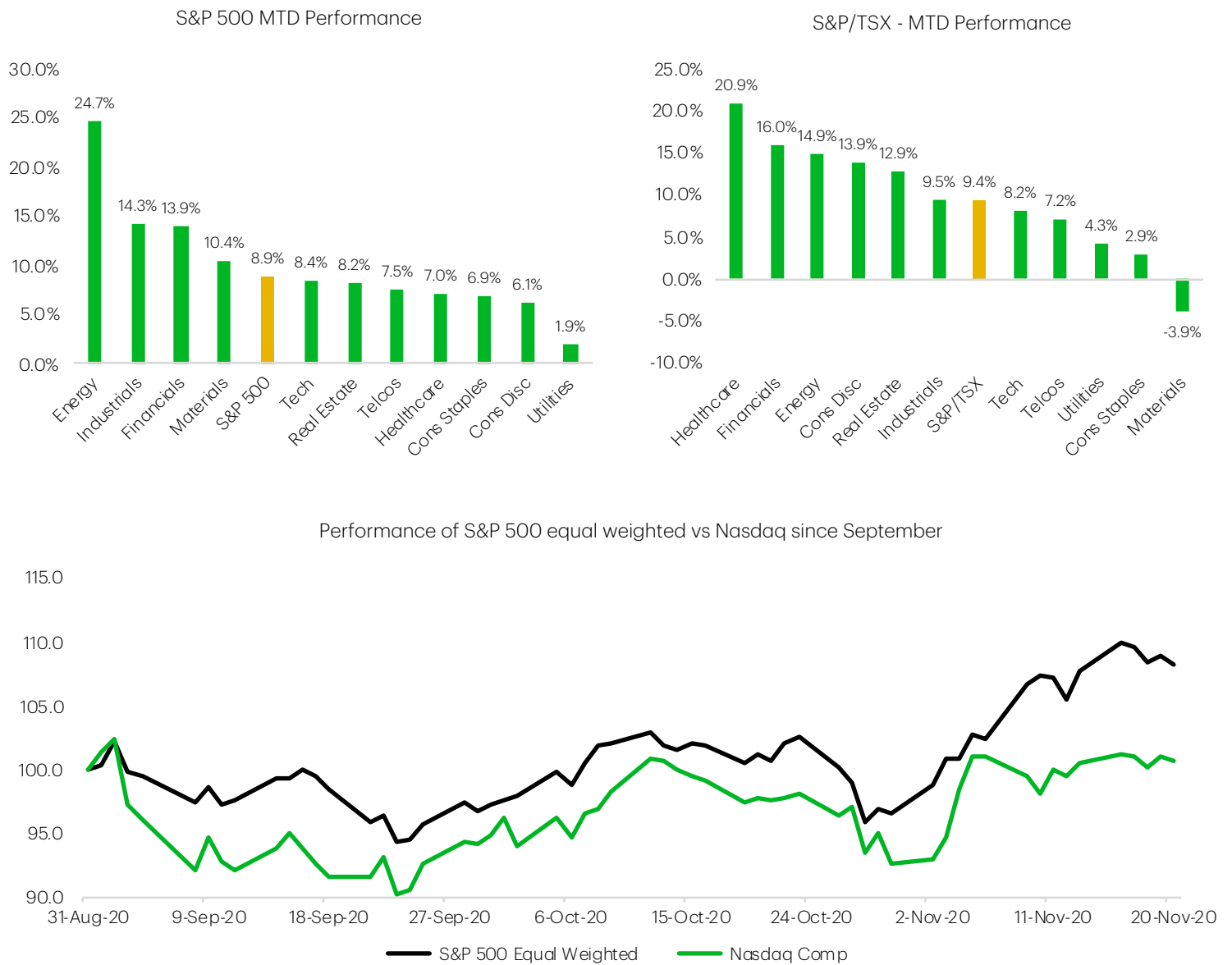
# Space and time

Brad Simpson, Chief Wealth Strategist and Head of PAIR

To understand investment is to intellectually tackle the space-time continuum, which as anyone who has experienced a Christopher Nolan film will tell you, is no small feat. We deploy money in the here and now, but that money goes into a financial market that's trading six to 18 months from now. It's like putting money in a time machine and sending it to the future, while investors and all their worldly concerns remain in the present. Currently our thoughts are mired in the pandemic, which makes many of us feel isolated, frustrated and afraid. Surely, in the midst of all this, one would think that markets were performing poorly ... but they're not.

So far, in the here and now of November, markets are on a real tear, and particularly financial, industrials, energy and materials — all sectors that benefit in a healthy and robust economy. At current valuations, these sectors, which were considered losers during the first wave of the pandemic, offer an attractive source of free cash flow and dividend yields compared to Covid-19 winners like tech stocks. Indeed, the S&P 500 has been outperforming the Nasdaq since the end of August (Figure 1).

Figure 1: Equity rally changes course



Source: Bloomberg as of November 20, 2020

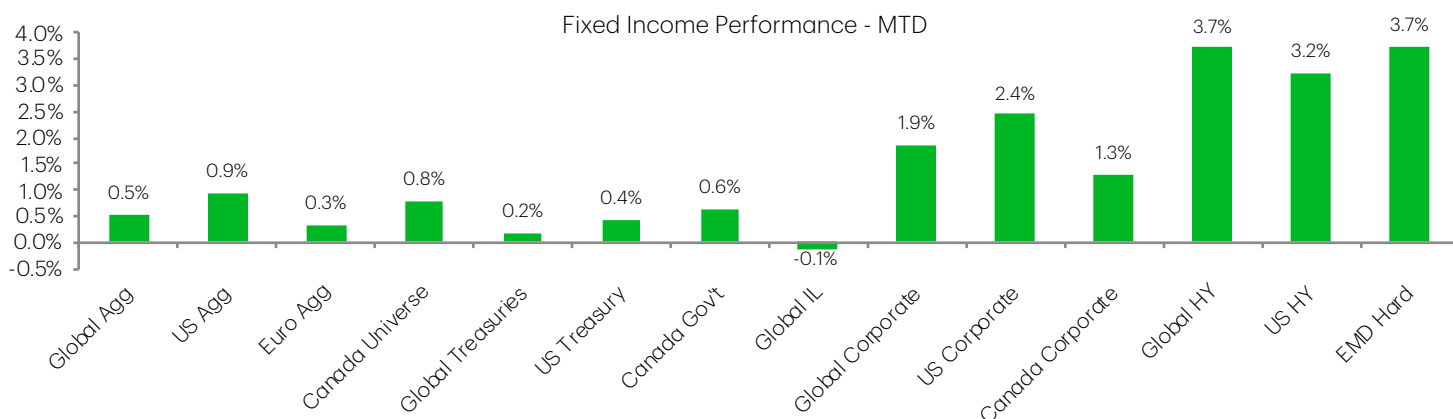
Now, before you rush out to call your money manager, this is not a call to get out of tech or growth stocks, but rather a reminder to keep your exposures diversified, given that other segments have a lot of catching up to do and are now also supported by rising EPS revisions. The sectors that are currently outperforming are sensitive to economic growth, whereas tech stocks have lately been more sensitive to economic weakness, simply because they're better able to grow their businesses irrespective of the environment.

With all eyes on two major macro catalysts in the here and now — the U.S. election standoff and the pandemic — it's easy to have overlooked the highly encouraging third-quarter earnings season. So far, 67% of S&P 500 companies are beating their consensus EPS estimates by at least one standard deviation, the highest proportion since at least 1998. Just 6% of companies missed consensus estimates, also the lowest share on record. Moreover, it is the first time this year that S&P 500 companies have recorded positive quarter-

over-quarter growth, both in terms of revenue and earnings. In aggregate terms, S&P 500 earnings were expected to fall by 21% year over year. In the end, they fell by just 8%, which by my counting is a \$6 improvement.

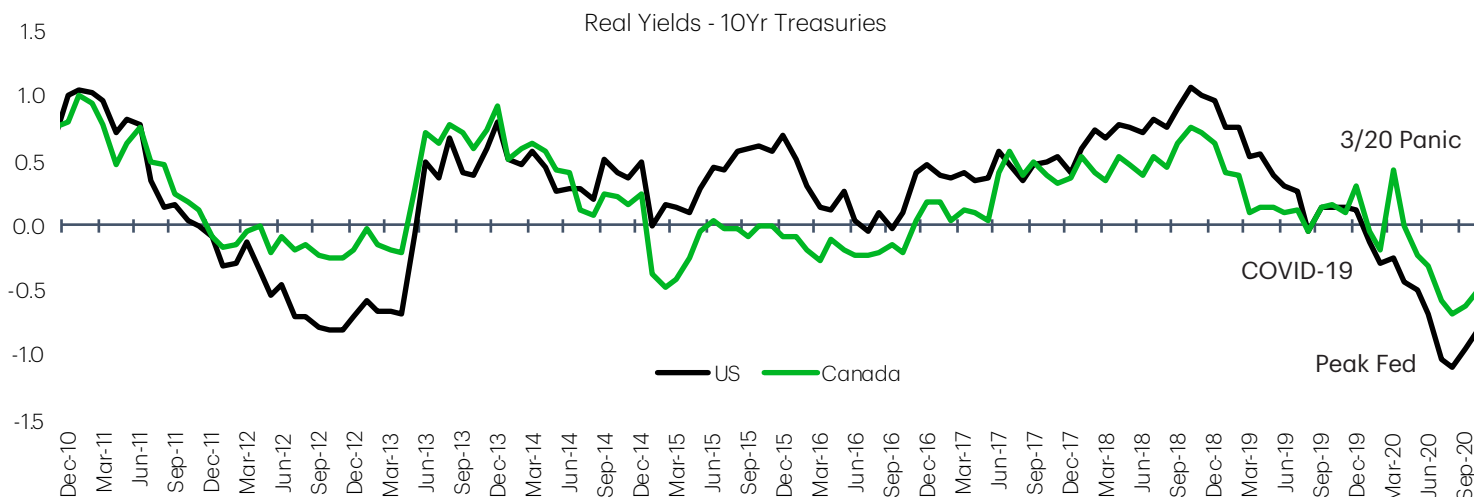
Fixed income markets are telling a similar tale. Government bonds are performing poorly as interest rates slowly creep up, but the riskier parts of the bond market that do well in a growing economy, high-yield and emerging markets, have outperformed (Figure 2). Even in the sovereign bond market, we're seeing optimism. Take, for instance, the real yield (inflation-adjusted) on 10-year U.S. and Canadian government bonds. These yields fell into negative territory after the central banks cut their policy rates near zero, but they've been coming back up since August (Figure 3). In other words, fixed income markets that are focused on high-quality government bonds are telling us that the slowest part of the recovery has already come and gone.

Figure 2: Riskier bonds outperform



Source: Bloomberg as of November 20, 2020

Figure 3: Real yields on 10-year Treasuries moving up



Source: Bloomberg as of November 12, 2020

Last but not least, we can find optimism in the flow of ETF investments, which have seen a reversal of recent trends. On a month-to-date basis, we're witnessing massive inflows into equity ETFs and risky bond ETFs, and large outflows from Treasuries, technology and gold; over US\$44 billion flowed into equity funds the week after the election, the highest in 20 years, with institutional investors (such as pensions and endowments) making up 90% of those inflows. This is a sign that the switch from safety to riskier assets is gaining traction among large investors.

I know this is all a bit mind-bending. I felt the exact same way after I watched Christopher Nolan's trilogy of time twisters: *Inception*, *Interstellar* and *Tenet*. But following all three movies, I read in-depth reviews by movie experts explaining what Nolan was trying to show. Our hope with this month's *Perspectives* is that we can do the same.

Figure 4: ETF investments flowing out of safe spaces, into riskier assets

ETF Flows (\$ Millions)	Jan 1-Oct 31, 2020	MTD (Nov 12, 2020)
Equity	123,613	38,363
SPDR S&P 500 ETF Trust	(34,169)	18,716
iShares Russell 2000 ETF	(3,257)	2,601
Vanguard Total Stock Market ETF	21,931	2,127
iShares Core S&P 500 ETF	7,901	1,136
Financial Select Sector SPDR Fund	(1,954)	1,056
Vanguard Total International Stock ETF	11,148	1,051
Vanguard S&P 500 ETF	24,013	956
iShares Core MSCI Emerging Markets ETF	(5,762)	932
iShares Russell 1000 Value ETF	(1,190)	651
iShares MSCI USA Min Vol Factor ETF	(2,588)	(410)
ProShares Short S&P500	2,056	(441)
Consumer Staples Select Sector SPDR Fund	(31)	(591)
ProShares UltraPro QQQ	2,071	(867)
SPDR S&P Dividend ETF	(1,226)	(1,185)
Invesco QQQ Trust	16,040	(1,672)
Commodities	34,716	(632)
SPDR Gold Trust	20,272	(1,032)
Grand Total	338,450	43,460

ETF Flows (\$ Millions)	Jan 1-Oct 31, 2020	MTD (Nov 12, 2020)
Fixed Income	176,209	5,301
iShares iBoxx \$ High Yield Corporate Bond ETF	4,913	2,927
iShares JP Morgan USD Emerging Markets Bond ETF	2,080	924
Vanguard Intermediate-Term Corporate Bond ETF	12,228	671
Vanguard Total Bond Market ETF	13,348	596
Vanguard Mortgage-Backed Securities ETF	593	581
iShares MBS ETF	2,283	506
Vanguard Total International Bond ETF	8,746	450
iShares TIPS Bond ETF	1,802	376
Schwab Short-Term US Treasury ETF	2,371	(316)
SPDR Bloomberg Barclays 1-3 Month T-Bill ETF	5,021	(320)
iShares Short Treasury Bond ETF	(847)	(332)
iShares 1-3 Year Treasury Bond ETF	3,128	(363)
iShares Core U.S. Aggregate Bond ETF	9,385	(423)
iShares U.S. Treasury Bond ETF	(1,639)	(490)
iShares iBoxx \$ Investment Grade Corporate Bond ETF	17,661	(1,046)
iShares 7-10 Year Treasury Bond ETF	247	(1,171)
iShares 20+ Year Treasury Bond ETF	(657)	(1,408)

## Pandemic: Tomorrow's Recovery

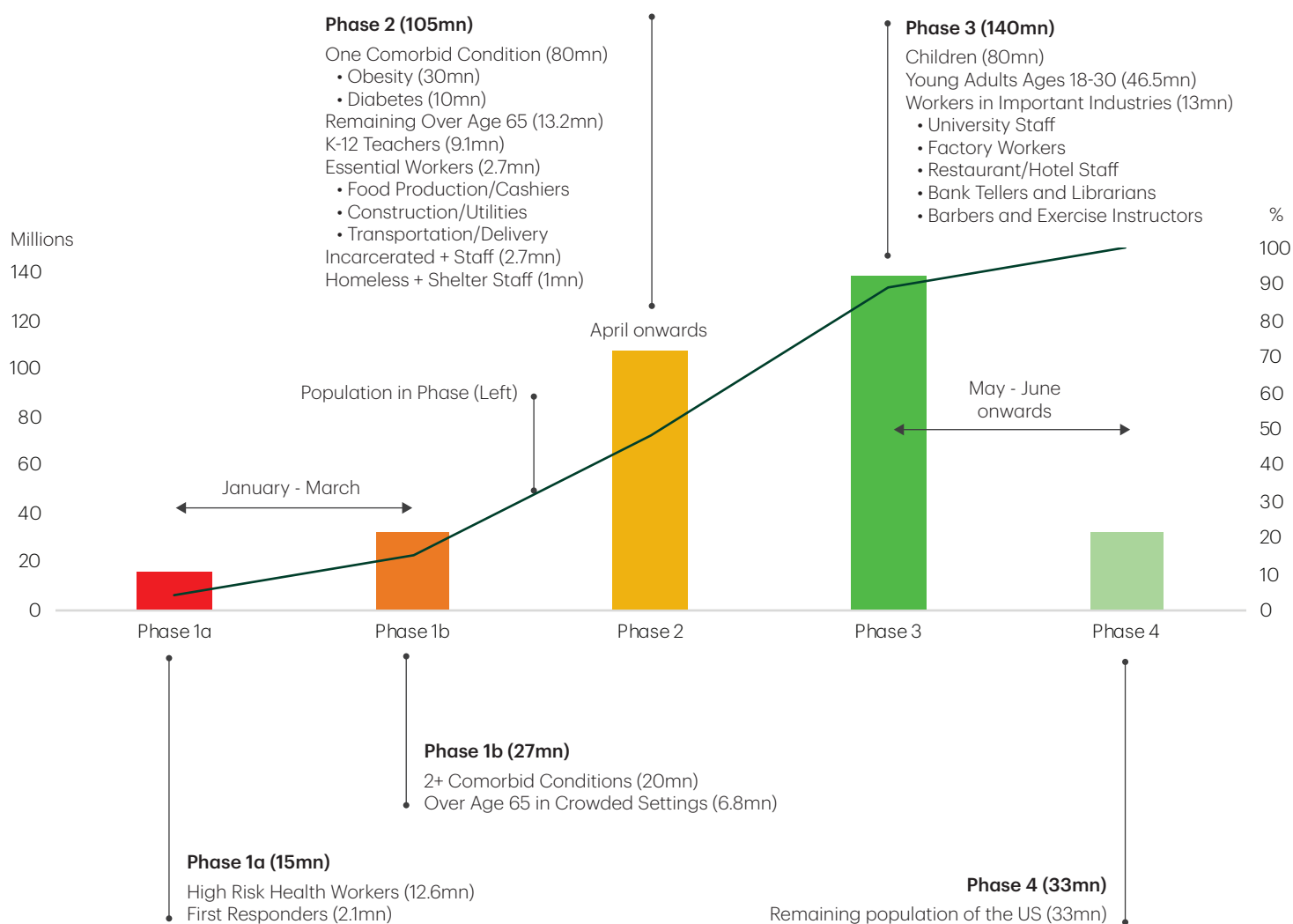
The business media are sounding the alarms over the supposed disconnect between surging stock markets and surging infection numbers. To be sure, it's quite a contrast. Since the end of Q3, the S&P 500 has risen over 6%. Over the same period, the number of active Covid-19 infections in the U.S. has risen over 40%, to 4.5 million, and regrettably, more than 19,000 Americans have died. It's a public-health calamity, there's no question, but we need to remember that when news personalities feign incredulity at these numbers, it's not because they don't understand what's going on. It's because they want to boost their ratings by terrifying their viewers, many of whom don't know anything about how the markets work.

As we all know, investors don't register the impact of events in real time; they project into the future — and while it's true that we may now be entering the darkest period of the pandemic, there *is still good reason* to be hopeful about a brighter future. On November 9, the pharmaceutical giant Pfizer

and its partner BioNTech triggered a market rally with the announcement that their Covid-19 vaccine had proven to be more than 90% effective. Seven days later, a competing drug company, Moderna, announced similarly auspicious results. Both vaccines are filing for emergency-use authorization, which could see the first health-care workers inoculated as early as December.

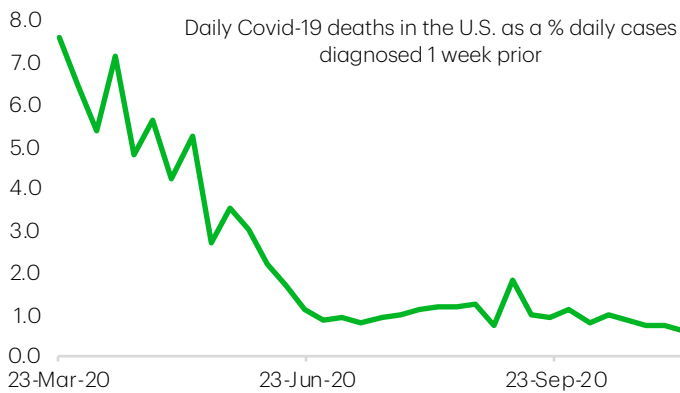
It's an incredible achievement — one that cannot be overstated. Consider, the typical timeline for the development of a vaccine extends well over five years, and the minimum efficacy rate required for mass immunization is around 70%. So, to produce two 95% effect vaccines in less than 10 months is nothing short of a miracle. It represents a pace of innovation not seen since the moon landing of 1969. Estimates from the National Academy of Medicine suggest that about half the U.S. population, including the elderly and all vulnerable populations, could be immunized by April of next year (Figure 5).

Figure 5: Anticipated vaccine rollout: US National Academy of Medicine Covid Vaccination Tiering System



April. That's still five months away — an eternity, or so it would seem — but remember, we've been dealing with this pandemic for over nine months, and we've learned a great deal since it all began. In February, we had no idea, for example, that people could be "asymptomatic," spreading the infection without showing any signs of illness. Nursing homes didn't know that seemingly healthy visitors were delivering the virus directly to our most vulnerable citizens, setting off a tragic wave of fatalities. Overwhelmed doctors didn't know that ventilators could actually worsen the symptoms of acute cases. Neither did we know about the effectiveness of mask-wearing or social distancing. In the first three months of this pandemic, about 6% of infections were fatal. Today, the mortality rate is closer to 1% (Figure 6). Make no mistake, even without a vaccine, we have scored major victories against the pandemic.

Figure 6: Falling mortality rate



Source: Centers for Disease Control and Prevention as of November 20, 2020

What does that mean for businesses and their investors? It means that we're all adapting within a complex system (see RPM, Third Principle), and so there's reason to believe this second/third wave will not be as bad as the first, at least not in terms of deaths. Fewer deaths, fewer severe cases and better treatment options all bode well for business because they obviate the need for governments to issue blanket economic shutdowns. So, while case counts are rising and restrictions are tightening, they are unlikely to be as extensive — or economically damaging — as they were during the first wave.

Alongside all the achievements born of trial and error, there have also been, believe it or not, a few lucky breaks. Months ago, public-health officials were quite concerned about the possible double whammy of a nasty flu season piled atop the pandemic, but so far, it hasn't happened. The number of influenza cases this year are dramatically down in the U.S. and around the world. Over the past five years, the United States has averaged about 42,000 flu-related deaths per year. This year, according to the Centers for Disease Control and Prevention, the flu season is tracking about 4,000 to 5,000 deaths — about one-tenth the average. The reasons are as of yet unclear, but the dominant theory is that we've benefited from the knock-on effects of mask wearing and social distancing. In other words, our failed attempts to stem the coronavirus outbreak may have resulted in the successful prevention of an influenza outbreak, unintentionally saving many tens of thousands of lives.

Another saving grace has come in the form of communications technology. Today, a significant part of our lives happens online. We all miss the warmth of in-person contact, of course — chit chat in the office, family dinners, restaurants and night life — but remember that not so long ago things like video-chatting, teleconferencing and e-commerce were simply not available, or if they were, they were the exception. Now they are becoming the norm, allowing us to see our loved ones, hold a job and purchase goods — all with minimal contact. These technologies have kept our economy afloat and our society connected.

So why are investors jubilant? Because we have good reason to be. Investors are far-sighted. They're looking beyond the record-breaking case counts and dismal headlines toward a future when some semblance of normalcy has returned. They're looking past winter and toward spring and summer of 2021, when restaurants and theatres can reopen to full capacity. When office workers can meet in person again. When we can finally take off the masks and start fully living again. With a growing number of vaccines and an arsenal of preventive knowledge at our disposal, it's not so far away.

## Risk Priority Management

Third Principle: "Embrace human behaviour"

Traditional finance assumes that all investors are rational and well-informed, and that the economic environment in which they operate has a very mechanical business cycle that follows understood patterns. In practice, human beings learn and adapt as they go along, and the financial environment in which they function changes accordingly. We believe it is wiser to think of the investment world as a complex adaptive system, and to pursue returns and manage risk based on this view.

## Election: Tomorrow's Resolution

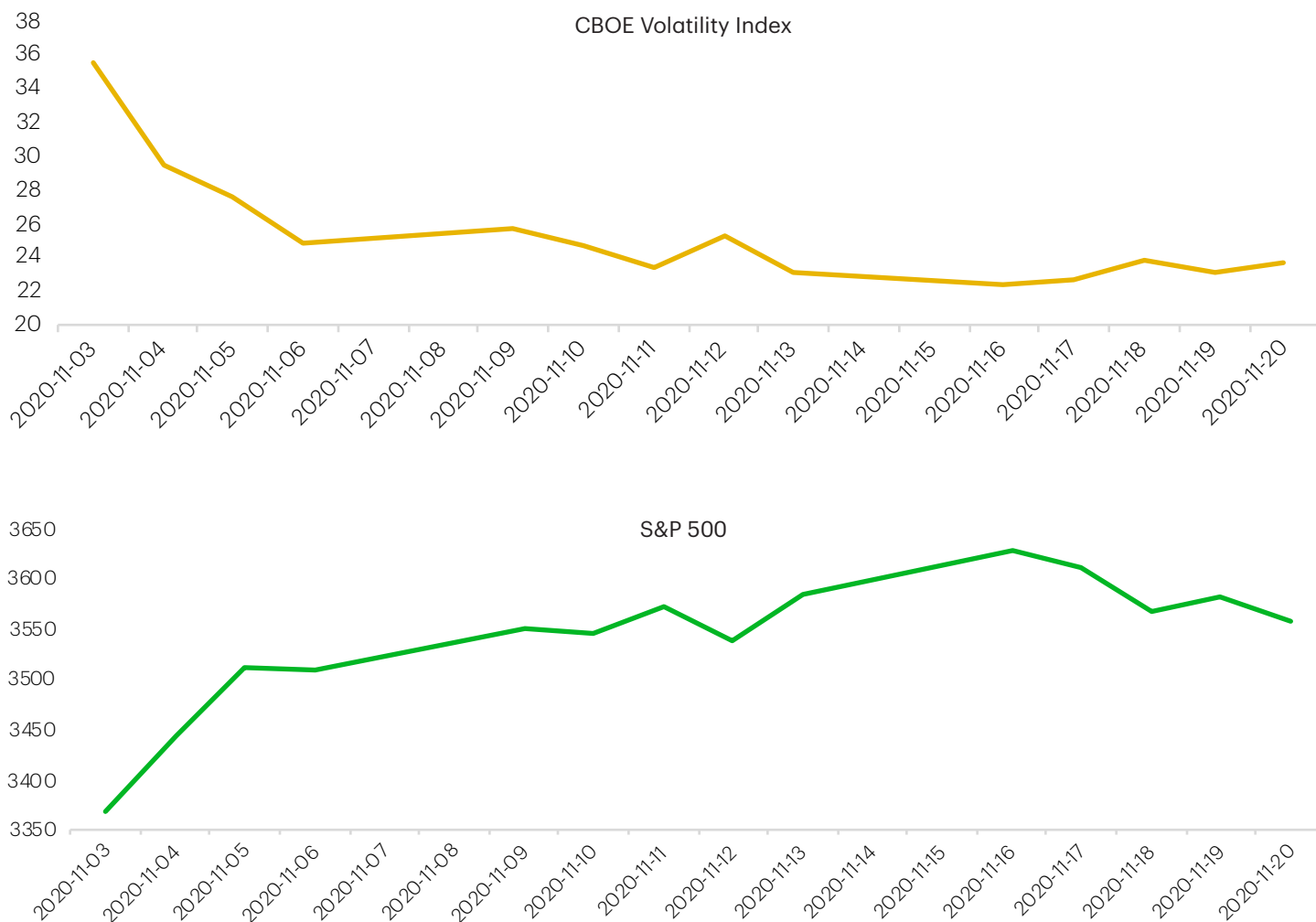
Never mind the refusal to concede, nor the claims of voter fraud, nor the frivolous lawsuits — this election is over. Finished. Done. If you need more proof of that, just look at how the markets have reacted. Since November 3, when it became abundantly clear (if not official) that Joe Biden had won the election, the S&P 500 has risen around 6% and the CBOE Volatility Index has fallen 33%. In market terms, that's the equivalent of a huge sigh of relief (Figure 7).

Many investors had feared the worst in the lead-up to this election, as the United States — arguably still the centre of Western democracy — attempted to land a logistical reverse somersault by staging a contentious election amid a debilitating pandemic, with Republicans alleging shenanigans, Democrats alleging suppression, and the President alleging a massive voter fraud. By election day, America felt like a powder keg ready to go off.

As it turns out, though, fears of civil unrest and violence in the streets proved to be largely unfounded. There was no evidence of intimidation at the ballot box or widescale voter fraud or even much interference from foreign adversaries. President Trump's own director of cybersecurity and infrastructure, Christopher Krebs, declared the 2020 election a triumph of American democracy, calling it “the most secure in American history” with “no evidence that any voting system deleted or lost votes, changed votes or was in any way compromised.” (Krebs was then fired for those comments.)

For investors, the orderly election of Joe Biden has cleared away an enormous overhang, allowing businesses to move forward with confidence. Biden, after all, is a known quantity — a fixture of Washington politics with a traditional, centrist approach. When it comes to international trade, Biden's views are actually not so different than those of the sitting president. He is likely to continue to pursue trade reforms with China and support a domestic manufacturing industry.

Figure 7: Phew, glad that's over!  
CBOE Volatility Index vs. S&P 500 (11/2/20 to 11/20/20)



Needless to say, however, the Biden administration will be less combative and more diplomatic in its approach. Markets, as a result, will be less likely to face the sort of volatility that has become common over the past four years. The Trump presidency (whether you're a supporter or not) was a revolutionary attempt to tear down the international framework of alliances and trading relationships. Trump eschewed multilateralism, pulling the U.S. out of deals on trade, nuclear proliferation and climate reform. He pulled the U.S. out of the Paris Climate Accord and the World Health Organization, and he rendered the World Trade Organization toothless by refusing to appoint judges to its appeals panel. Compared to the preceding four years under President Obama, the Trump years were tumultuous ones (Figure 8).

American corporations, of course, have benefited from deregulation and tax cuts under Trump, but they've also had to live in fear of the president's belligerent and impulsive style. At any moment, a new tweet could set off a trade war, disrupting supply chains and scaring away investors. The Biden administration is more likely to take an incrementalist approach to globalization and foreign policy, thereby calming political allies, business leaders and market participants alike.

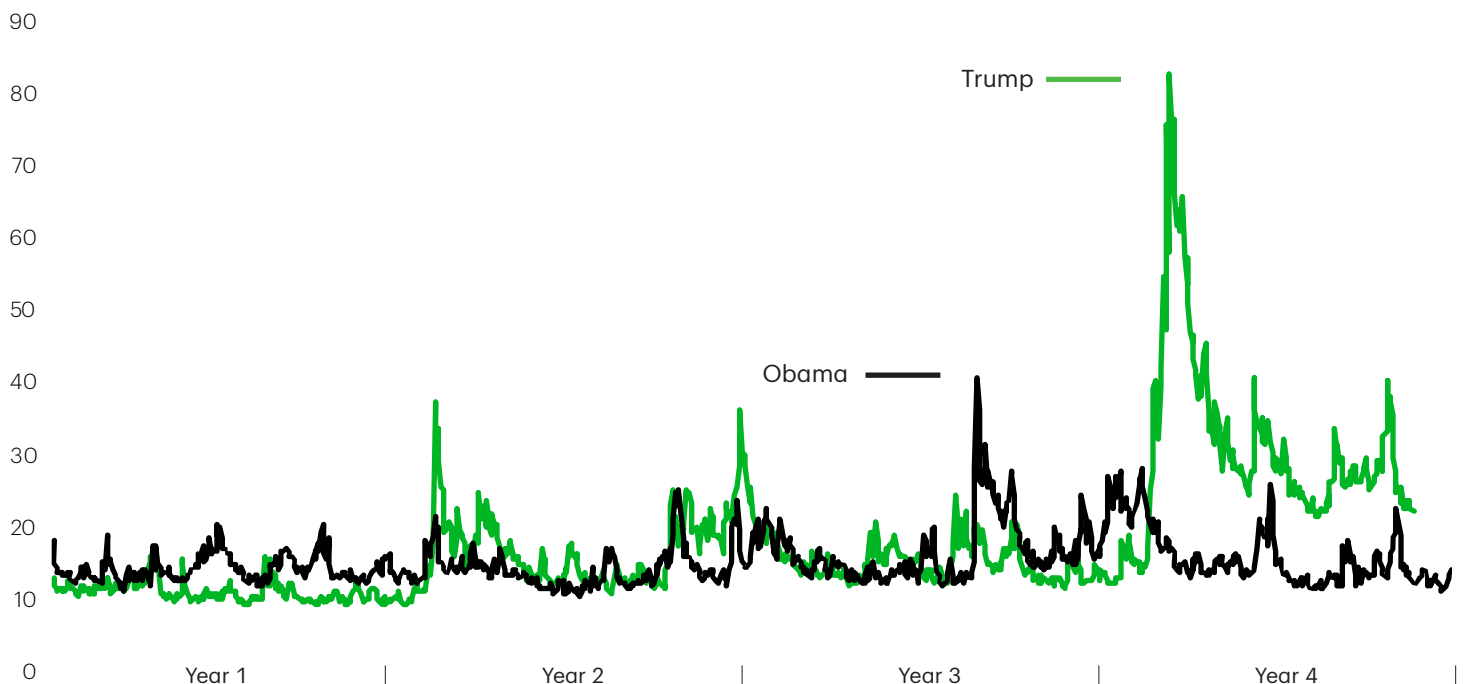
What's more, by protecting a senate majority for Republicans, this election has given investors the best of both worlds: Trump's domestic policy with Biden's foreign policy.

That's because a GOP senate majority, along with gains in the House, will prevent Biden from reversing Trump's domestic pro-business policies. Meanwhile, on the international stage — where the president wields far greater power — Biden's leadership will likely lead to an easing of trade disputes and less market volatility, which could drive returns for risk assets. It's really a goldilocks scenario for the economy and markets.

The GOP Senate majority will also prevent Biden from passing the Democrats' vaunted \$2-trillion stimulus proposal — not great news for investors, but even here there's a silver lining, because the end of the election also signals the end of political brinksmanship over the stimulus package. Democrats will no longer feel the need to use the Senate's refusal as a rallying cry to turn out the vote. And Republicans will be hard-pressed to ignore the new president on his bully pulpit.

The stage is set for a deal, and investors could see the fruits of that as early as December 11, when a bill to fund the federal government is tabled. That bill will provide the lame duck Congress with the opportunity it needs to pass upwards of \$1 trillion in fiscal stimulus — less than what Democrats wanted, but more than what Republicans wanted to spend. That money will go a long way to supporting families and small businesses during the worst of the pandemic, and it's bound to give markets a further shot in the arm, so to speak.

Figure 8: Trump volatility vs. Obama volatility  
CBOE Volatility Index (VIX) during Trump and Obama presidencies





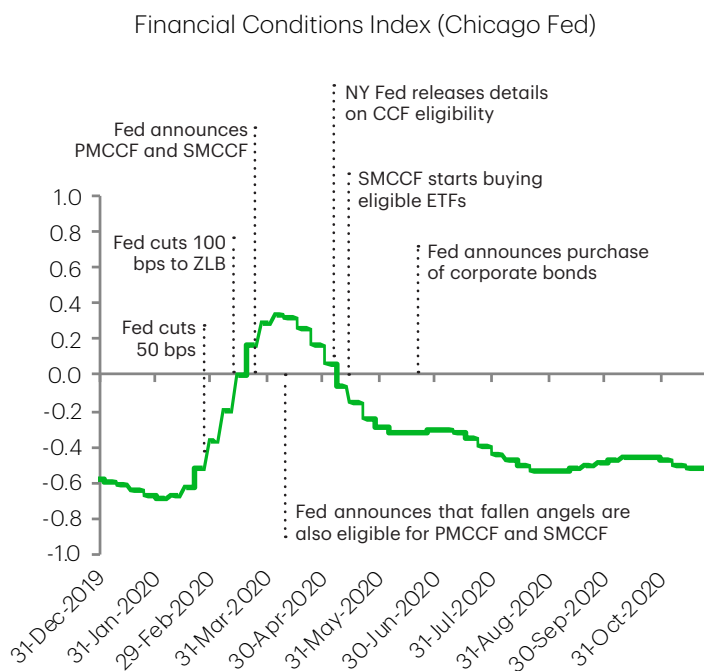
## Economy: Tomorrow's Expansion

Investors are counting on the U.S. economy outperform over the next six months, even as case counts rise and restrictions tighten. Which seems ludicrous at first glance, but remember that when we say “outperform” we’re not talking about better-than-average performance; we’re talking about performance that’s only better than the nightmarish scenario we had envisioned nine months ago, when a wide swathe of businesses were shutting down and everyone expected the worst. In hindsight, our worst-case scenario proved to be pessimistic.

Pessimistic, but not totally outlandish — it wasn’t so long ago, after all, that the economy came to a screeching halt, leading investors to pull out *en masse*. From mid-February to mid-March, the S&P 500 lost about 25% of its value, ending the longest bull market in American history. And while the stock market was crashing, the global credit markets were seizing up, with spreads widening to historic levels, over 400 bps for the Bloomberg Barclays Global Credit Index. Soon, major corporations found themselves unable to raise funds (via bond issuance) needed to keep their operations afloat.

The next stage of the recession seemed all but inevitable — massive layoffs, followed by a wave of corporate and personal bankruptcies, followed by another contraction and further misery. Depression-era carnage was upon us ... *except that’s not what happened*. Instead, in late March, the Federal Reserve entered a brave new world of monetary policy, conducting a grand experiment that successfully prevented another Great Depression.

Figure 9: The Fed comes to the rescue



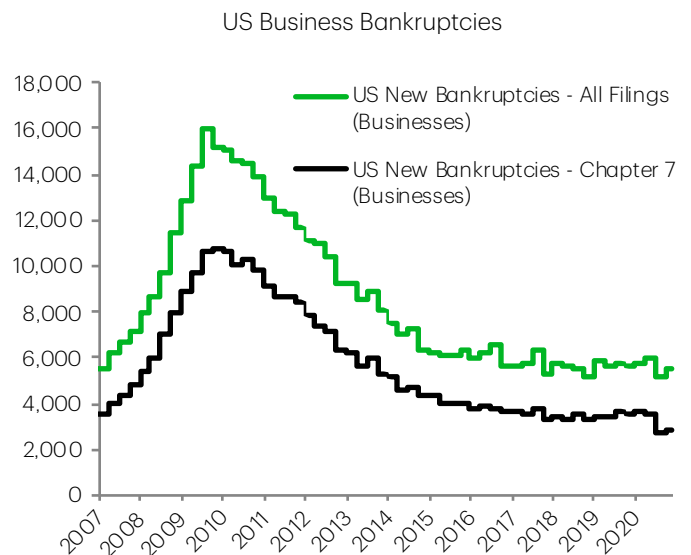
Source: Federal Reserve Bank of Chicago, as of November 20, 2020

The Fed had been carrying out its quantitative-easing (QE) program for well over a decade, buying government bonds in order to support fiscal spending and stimulate the economy, but it had never loaned money directly to corporations or their investors. Even when its first modern-day QE program began, during the global financial crisis of 2008, private-sector interventions were considered taboo. That all changed this year, on March 23, when the Fed established its Primary- and Secondary-Market Corporate Credit Facilities, which set aside \$750 billion for the purchase of investment-grade corporate bonds.

The experiment has proven to be a huge success, instantly unfreezing the credit markets and narrowing spreads to pre-pandemic levels. Emboldened by assurances that the Fed would keep businesses afloat, one way or another, investors moved back into the corporate bond market in droves, ultimately enabling issuers to raise the funds they needed to avoid bankruptcy. This monetary policy response “short-circuited” the usual negative feedback loop between a weaker economy and tighter financial conditions (Figure 9). As a result, commercial bankruptcy filings have actually run below the pre-pandemic trend (Figure 10).

A similar rescue operation occurred in the fiscal domain, with governments and taxpayers coming to the aid of small businesses and laid-off workers. On March 27, the U.S. government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which set aside \$2.2 trillion in emergency aid and economic stimulus. Small businesses received short-term loans at rock-bottom rates, while unemployed individuals received an additional \$600 per week for an extended period.

Figure 10: What happened to the bankruptcies?



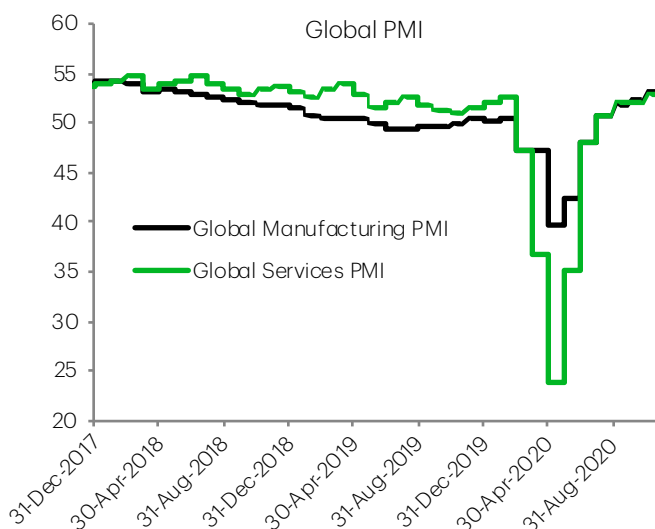
Source: Bloomberg as of November 20, 2020

The unprecedented scope of these stimulus programs has been credited for keeping the U.S. economy afloat long enough for a “V-shaped” recovery to take hold over the summer months. After the worst economic contraction in history, at 31.7% in Q2, third-quarter corporate earnings came in well above expectations. Big names like General Motors and Qualcomm posted surprisingly strong earnings. Correspondingly, gross domestic product in Q3 skyrocketed 33.1% — an achievement that would have been impossible if businesses and their employees were simply allowed to go bankrupt.

If there's one number that illustrates the extraordinary revival witnessed in Q3, it's the household savings rate. In a typical quarter, American households might set aside somewhere between 6% and 8% of their income. During the sharpest economic contraction ever, you might think that number would go down. It didn't. In Q2, as the central bank and federal government opened up the money spigot — helicoptering billions of dollars to businesses and individuals — the savings rate went up to an extraordinary 25.7%

The idea of unemployed workers flush with taxpayer cash may seem unpalatable to some, and it certainly lends credence to arguments on the right to tone down the stimulus. On the other hand, that high savings rate may have been responsible for generating pent-up demand. Once retail operations were able to make the adjustments required to sell their goods (curbside pickup, delivery, social distancing) all that surplus cash could be unleashed on goods expenditures, which rose 45.4% in Q3 (after falling 10.8% in Q2). Of course, the “high-touch” services side of the economy was still suffering, but the goods side has recovered and then some as consumers diverted their savings to goods (by purchasing groceries instead of going to restaurants, for instance).

Figure 11: Business confidence rebounds



Source: Bloomberg as of November 20, 2020

The rescue of the American economy has been an extraordinarily expensive undertaking, with the U.S. government laying out 14.2% of its GDP and Canada spending 16.7% — but the payoff has also been immense. Business confidence in many sectors has returned to pre-pandemic levels, with capital expenditures and purchasing managers' indices (PMIs) rising to pre-pandemic levels (Figure 11). Markets, too, are soaring to record highs on positive vaccine and election news. And while it remains to be seen, the fourth quarter has gotten off to a strong start, so there's hope that earnings will come in above expectations, given the adjustments that businesses have already made and the reduced likelihood of a blanket shutdown. It should be noted, however, that as pandemic restrictions tighten, risks are starting to tilt to the downside.

### Tomorrow's Uncertainty

For months, investors have climbed the wall of worry, transfixed by the U.S. election and the pandemic. We have received numerous calls from advisors about clients who were consumed by fear and wanted to go all to cash. Throughout this period, we have made the case that what matters is not the products you pick, nor the predictions you make. What matters is the process with which you allocate investments.

TD Wealth's investment policy committee is currently underweight fixed income, maximum underweight government bonds and modestly overweight equities. These allocations seem apt as fixed income markets are confronted by one of the most difficult environments in decades, while equity markets are in the opposite position. U.S. election uncertainty, Covid-19 uncertainty, geopolitical stress and trade wars are far less onerous today. In the U.S., neither party has the mandate to do anything drastic in terms of tax increases nor regulatory overhauls. In addition, central banks continue to be incredibly accommodative and, one way or another, more fiscal support is on its way.

While there is good news for the vaccine, we are still in the middle of the pandemic's second wave, with the threat of an economic shutdown looming. And while the U.S. has more political stability today than it had at the beginning of the month, some uncertainty still remains, including legal challenges by the incumbent, runoff elections in Georgia that will decide the balance of power in the Senate, and the still outstanding fiscal stimulus bill.

Fixating on the uncertainty, however, often leads us to ignore the things we do know for certain. In the extreme environment of the past few weeks, the worst investment tactic would have been to make extreme allocations. The same is true from here on out: be underweight fixed income, overweight equity and alternative assets, and adapt as the environment unfolds. Finally, instead of scouring the markets for the highest dividends and interest rates, take a total approach when allocating to investments.

## Market Performance

		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
<b>Canadian Indices (\$CA) Return</b>	Index	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
S&P/TSX Composite (TR)	56,766	-3.11	-2.88	-6.11	-2.30	2.24	6.07	5.19	5.15
S&P/TSX Composite (PR)	15,581	-3.35	-3.64	-8.69	-5.48	-0.93	2.86	2.08	2.43
S&P/TSX 60 (TR)	2,747	-3.69	-3.30	-5.74	-2.51	2.66	6.49	5.63	5.19
S&P/TSX SmallCap (TR)	891	-0.73	-1.40	-9.26	-1.77	-3.97	3.45	0.17	0.03
<b>U.S. Indices (\$US) Return</b>									
S&P 500 (TR)	6,735	-2.66	0.37	2.77	9.71	10.42	11.71	13.01	6.30
S&P 500 (PR)	3,270	-2.77	-0.04	1.21	7.65	8.29	9.48	10.70	4.22
Dow Jones Industrial (PR)	26,502	-4.61	0.28	-7.14	-2.01	4.27	8.45	9.07	4.51
NASDAQ Composite (PR)	10,912	-2.29	1.55	21.61	31.59	17.49	16.64	15.84	6.05
Russell 2000 (TR)	7,866	2.09	4.24	-6.77	-0.14	2.19	7.27	9.64	7.24
<b>U.S. Indices (\$CA) Return</b>									
S&P 500 (TR)	8,969	-2.81	-0.28	5.37	11.03	11.62	12.11	16.08	5.57
S&P 500 (PR)	4,355	-2.92	-0.69	3.77	8.94	9.46	9.87	13.70	3.51
Dow Jones Industrial (PR)	35,293	-4.76	-0.38	-4.79	-0.84	5.40	8.84	12.03	3.80
NASDAQ Composite (PR)	14,531	-2.45	0.89	24.69	33.16	18.77	17.06	18.99	5.33
Russell 2000 (TR)	10,476	1.93	3.56	-4.41	1.06	3.29	7.65	12.62	6.51
<b>MSCI Indices (\$US) Total Return</b>									
World	9,881	-3.04	-0.05	-0.98	4.91	6.55	8.73	9.25	5.47
EAFE (Europe, Australasia, Far East)	7,742	-3.98	-1.61	-10.44	-6.46	-0.76	3.35	4.31	3.96
EM (Emerging Markets)	2,601	2.08	2.71	1.15	8.62	2.32	8.31	2.78	8.70
<b>MSCI Indices (\$CA) Total Return</b>									
World	13,159	-3.20	-0.71	1.52	6.17	7.70	9.12	12.21	4.75
EAFE (Europe, Australasia, Far East)	10,311	-4.14	-2.25	-8.18	-5.34	0.32	3.72	7.14	3.25
EM (Emerging Markets)	3,463	1.91	2.04	3.71	9.92	3.42	8.70	5.57	7.96
<b>Currency</b>									
Canadian Dollar (\$US/\$CA)	75.09	0.16	0.66	-2.47	-1.18	-1.07	-0.36	0.69	0.69
<b>Regional Indices (Native Currency, PR)</b>									
London FTSE 100 (UK)	5,577	-4.92	-5.43	-26.05	-23.05	-9.37	-2.60	-0.17	-0.72
Hang Seng (Hong Kong)	24,107	2.76	-1.98	-14.48	-10.40	-5.14	1.26	0.43	2.44
Nikkei 225 (Japan)	22,977	-0.90	5.84	-2.87	0.22	1.44	3.78	9.58	2.31
<b>Benchmark Bond Yields</b>		3 Months		5 Yrs		10 Yrs		30 Yrs	
Government of Canada Yields		0.09		0.40		0.66		1.25	
U.S. Treasury Yields		0.09		0.39		0.88		1.66	
<b>Canadian Bond Indices (\$CA) Total Return</b>	Index	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	
FTSE TMX Canada Universe Bond Index	1,204	-0.76	-1.57	7.18	6.46	5.25	4.17	4.25	
FTSE TMX Canadian Short Term Bond Index (1-5 Years)	767	0.01	0.26	4.80	4.72	3.15	2.27	2.44	
FTSE TMX Canadian Mid Term Bond Index (5-10)	1,314	-0.47	-0.45	8.88	7.84	5.38	4.03	4.58	
FTSE TMX Long Term Bond Index (10+ Years)	2,098	-1.87	-4.44	8.91	7.56	7.83	6.74	6.62	
<b>HFRI Indices (\$US) Total Return (as of April 30, 2020)</b>									
HFRI Fund Weighted Composite Index	14,949	0.28	1.63	1.06	4.05	2.58	3.80	3.47	
HFRI Fund of Funds Composite Index	6,560	0.23	2.20	2.80	5.44	2.57	2.96	2.76	
HFRI Event-Driven (Total) Index	16,676	0.47	3.18	-1.77	0.64	1.60	3.85	3.87	
HFRI Equity Hedge Index	23,123	0.46	2.50	2.99	7.33	3.61	5.12	4.38	
HFRI Equity Market Neutral Index	5,495	-0.90	-1.35	-2.46	-1.89	-0.08	1.18	2.14	
HFRI Macro (Total) Index	15,299	-0.40	-1.93	0.07	1.00	0.88	1.08	0.72	
HFRI Relative Value (Total) Index	12,499	0.37	1.63	-1.43	0.26	2.08	3.35	4.07	
<b>HFRI Indices (\$CA) Total Return (as of March 31, 2020)</b>									
HFRI Fund Weighted Composite Index	19,941	0.49	1.06	3.87	5.45	3.74	4.22	6.31	
HFRI Fund of Funds Composite Index	8,751	0.44	1.62	5.66	6.86	3.73	3.37	5.58	
HFRI Event-Driven (Total) Index	22,244	0.68	2.59	0.96	2.00	2.75	4.27	6.72	
HFRI Equity Hedge Index	30,843	0.67	1.92	5.86	8.78	4.78	5.54	7.24	
HFRI Equity Market Neutral Index	7,330	-0.69	-1.91	0.25	-0.57	1.04	1.59	4.95	
HFRI Macro (Total) Index	20,407	-0.19	-2.49	2.86	2.36	2.02	1.48	3.48	
HFRI Relative Value (Total) Index	16,673	0.58	1.05	1.31	1.61	3.23	3.76	6.93	

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# Portfolio Advice & Investment Research | PAIR Team

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