

		<u>May 2019</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
U.S. Large Cap Equities	S&P 500	-6.35%	10.74%	3.78%	11.72%	9.66%	13.95%
U.S. Mid Cap Equities	Russell Midcap	-6.14%	13.55%	1.59%	9.87%	7.89%	14.43%
U.S. Small Cap Equities	Russell 2000	-7.78%	9.26%	-9.04%	9.75%	6.71%	12.84%
Master Limited Partnerships (MLP)	Alerian MLP	-1.14%	13.95%	-1.12%	0.38%	-6.62%	7.74%
U.S. Real Estate Equities	Dow Jones U.S. Select REIT Index	-0.34%	15.11%	12.87%	5.45%	7.50%	14.84%
Global Equities	MSCI All Country World Index	-5.93%	9.09%	-1.29%	9.07%	5.22%	9.39%
International Developed Equities	MSCI EAFE	-4.80%	7.64%	-5.75%	5.82%	1.27%	6.23%
Emerging Market Equities	MSCI Emerging Markets	-7.26%	4.10%	-8.70%	9.88%	1.79%	5.03%
U.S. Taxable Fixed Income	Barclay's U.S. Aggregate	1.78%	4.80%	6.40%	2.50%	2.70%	3.83%
U.S. Tax-Exempt Fixed Income	Barclay's Municipal Aggregate	1.38%	4.71%	6.40%	2.96%	3.58%	4.58%
High Yield Fixed Income	Barclay's U.S. Corporate High Yield	-1.19%	7.49%	5.51%	7.04%	4.40%	9.30%
Floating Rate Loans	S&P/LSTA Leveraged Loan	-0.22%	5.49%	3.83%	5.16%	2.75%	6.60%
International Fixed Income	Barclay's Global Aggregate Ex-U.S.	1.04%	1.95%	0.39%	1.24%	-0.47%	1.83%

- Global equity markets deteriorated in May as political angst once again overshadowed fairly stable economic fundamentals.
- The breakdown of trade negotiations between the U.S. and China was the primary catalyst for the monthly flight to quality.
- U.S. equities declined 6.4% as investors shifted away from the asset class in favor of “safe-haven” fixed income investments.
- At month-end, markets had priced in three Federal Reserve rate cuts by the end of 2020; this appears to be driven by headline risk.
- Energy infrastructure outperformed on a relative basis, as did U.S. REITs; the asset classes continue to offer good value and higher yields.
- Foreign equity market indexes fell between 4.8% and 7.3% in May. While this result was largely precipitated by tariff concerns, it was also supported by fear of a “no-deal” Brexit scenario following prime minister Theresa May’s resignation announcement.
- Investment grade U.S. bond markets were generally positive for the month, as yields shifted lower and prices rose.
- High yield bonds and leveraged loans were affected by their higher correlation to equities, resulting in negative one-month returns for the indexes. However, these asset classes remain up 7.5% and 5.6% for the year, respectively; we have not seen an uptick in default rates.
- Foreign fixed income markets were positive in May, a result of lower yields and a stable U.S. dollar.

## Economic Update

- The outlook for the Canadian economy became less pessimistic in May after the U.S. lifted tariffs assigned to the nation's steel and aluminum exports. Specifically, the consensus for the economy weakening over the next six months declined to 30% as a result of this favorable announcement, which is down from 36% a month earlier. Consumer sentiment, a "soft data" indicator, has hovered at a depressed level for more than one year. However, easing of metal tariffs will likely improve consumer confidence.
- In terms of actual growth, Canada's economy has been sluggish. Sharp oil price declines in 2018, combined with global trade tensions, have noticeably curtailed business development. The Canadian real estate market has also struggled to rebound.

## Interest Rate Update

The Bank of Canada announced no change to its benchmark interest rate when it met in late May, holding steady at 1.75%. This decision, which was supported by a forecast of slower second half growth, was in line with consensus expectations.

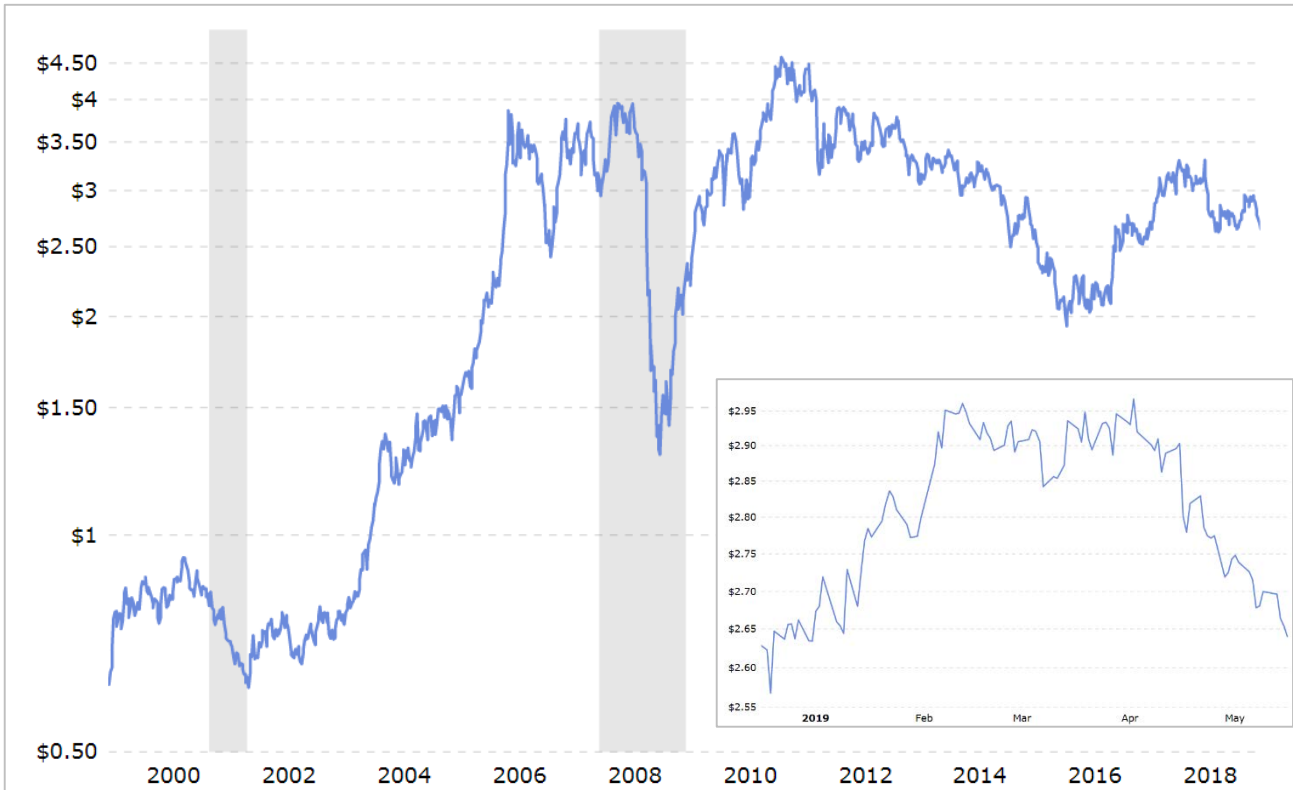
Date Range	CAD to USD	+/-
May	0.7446-0.7395	-0.69%
Year-to-Date	0.7329-0.7395	0.90
1-Year	0.7712-0.7395	-4.11%
USD to CAD	30-Days	90-Days
High	1.352	1.352
Low	1.340	1.328
Average	1.346	1.340
Volatility	0.19%	0.25%



Source: [www.xe.com](http://www.xe.com)

The larger chart below shows the historical daily COMEX copper price, which is displayed in U.S. dollars per pound. The chart provides twenty years of price history, and also includes shaded columns that reflect past U.S. economic recessions.

The chart embedded in the bottom right hand corner provides a zoomed image of the year-to-date price movement of the commodity. The current price of copper, as of June 3, 2019, is \$2.64 per pound. Copper opened the year priced at \$2.62 per pound and hit a high/low of \$2.97/\$2.57 on April 17<sup>th</sup> and January 3<sup>rd</sup>, respectively. Copper has gained 0.8% year-to-date.



## Copper Price Outlook

Copper prices fell sharply in May, dropping \$0.30 per pound, or 10.2%.

The decline is a result of escalating trade disputes between the U.S. and China, which has the potential to disrupt manufacturing activity, and the subsequent demand for industrial metals could be lessened.

Currently, benchmark copper on the London Metal Exchange is trading at a net short, meaning the market is betting on lower prices ahead.

Taking a closer look, we see that the copper net speculative short position has inched up to 7.4% of open interest. This is approximately the level from October 2018.

For perspective, last year the net short in copper peaked at 30% of open interest in late July.