Global Market Investment Returns

January 31, 2019

		Jan. 2019	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities	S&P 500	8.01%	8.01%	-2.31%	14.02%	10.96%	15.00%
U.S Mid Cap Equities	Russell Midcap	10.79%	10.79%	-2.90%	13.29%	8.89%	16.09%
U.S. Small Cap Equities	Russell 2000	11.25%	11.25%	-3.52%	14.71%	7.26%	14.52%
Master Limited Partnerships (MLP)	Alerian MLP	12.64%	12.64%	-6.73%	7.06%	-5.19%	9.33%
U.S. Real Estate Equities	Dow Jones U.S. Select REIT Index	11.41%	11.41%	11.11%	7.14%	9.38%	15.55%
Global Equities	MSCI All Country World Index	7.90%	7.90%	-7.48%	11.62%	6.72%	11.28%
International Developed Equities	MSCI EAFE	6.57%	6.57%	-12.51%	7.74%	2.66%	8.11%
Emerging Market Equities	MSCI Emerging Markets	8.77%	8.77%	-14.24%	14.89%	4.77%	9.66%
U.S. Taxable Fixed Income	Barclay's U.S. Aggregate	1.06%	1.06%	2.25%	1.95%	2.44%	3.68%
U.S. Tax-Exempt Fixed Income	Barclay's Municipal Aggregate	0.76%	0.76%	3.26%	2.15%	3.58%	4.55%
High Yield Fixed Income	Barclay's U.S. Corporate High Yield	4.52%	4.52%	1.73%	9.41%	4.61%	10.97%
Floating Rate Loans	S&P/LSTA Leveraged Loan	2.55%	2.55%	2.02%	5.94%	3.44%	8.07%
International Fixed Income	Barclay's Global Aggregate Ex-U.S.	1.86%	1.86%	-3.26%	3.62%	0.20%	2.43%

- Global equity markets recovered a majority of the unrealized losses that resulted from the risk repricing in December.
- The January respite was predominantly attributable to the U.S. Federal Reserve's signal that it would be more patient with rate hikes.
- U.S. equities recouped 89% of the December decline after gaining 8.0% in January; the S&P 500 Index dividend yield is 1.98%.
- January marked the first sign that the U.S. economy is being directly impacted by trade tensions with China; the December ISM manufacturing survey fell by its largest monthly decline since 2008; this was largely offset by the U.S./China trade truce.
- Master limited partnerships and U.S. REITs performed especially well in January, gaining 12.6% and 11.4%, respectively.
- Foreign equity markets were up in January but gained less on a relative basis compared to the U.S. These markets were buoyed by improved U.S. sentiment, but remain pressured by the same macroeconomic and geopolitical issues that resulted in losses in 2018.
- U.S. investment grade taxable and municipal bond indexes returned approximately 1% in January amid lower volatility.
- U.S. high yield bonds recouped more than 100% of the December losses; default rates did not increase in December.
- Leveraged loans fully recovered as well, but this asset class may lose its competitive advantage if rates plateau in 2019.
- Global bonds performed well in January, aided by a 0.6% weakening of the U.S. dollar.

Source: eVestment Analytics

Independence Asset Advisors

Economic Update

The 0.25% decline in the price of oil, which occurred in October of 2018, has had a meaningful impact on the Canadian economy. As a result of this commodity price plunge, the Canadian central bank has lowered its growth forecast for 2019 to 1.7%. This represents a downgrade of 0.4% from the 2.1% growth rate forecasted three months ago. The growth adjustment is directly attributable to the price of oil, however the impact is being largely offset by strength elsewhere in the economy. The most recent readings indicate that approximately 90% of the economy is operating at capacity, which will likely prompt the Canadian central bank to continue its path towards normalization in consideration to its inflation target. The Bank of Canada meets again on February 6, 2019.

Interest Rate Update

The Bank of Canada kept its benchmark interest rate unchanged at 1.75% when it met in January. The central bank has raised its key rate five times since the mid-2017 in an attempt to keep inflation within an acceptable range.

Date Range	CAD to USD	+/-
1-Month	0.7329-0.7609	+3.8%
1-Year	0.8134-0.7609	-6.5%
3-Years	0.7154-0.7609	+6.4%
USD to CAD	**30-Days**	**90-Days**
High	1.3370	1.3752
Low	1.3090	1.3090
Average	1.3249	1.3322
Volatility	0.32%	0.38%

Source: www.xe.com