Highlights

- The S&P/TSX Composite, S&P 500 and NASDAQ indices each hit all-time highs.
- Possible tighter sanctions on Iran and political chaos in Venezuela kept oil prices rising.
- Canadian and U.S. central banks held their overnight rate steady, while long-term bond yields ticked higher.
- Corporate earnings delivered better-than-expected results, supporting recent stock market gains.

Both Canadian and U.S. stock markets hit new all-time highs in April as 2019's stock market rally continued unabated. Results were far less exciting for fixed income investors as interest rates ticked higher, putting downward pressure on bond prices.

Still life in the aging bull market

U.S. investors were given many reasons for optimism in April. Healthy economic data, corporate earnings, easing trade fears that exceeded expectations and an accommodative U.S. Federal Reserve (Fed) each did their part toward helping U.S. stock markets reach new all-time highs and continue its historic bull market run.

Overall, April's economic data releases boded well for both consumers and businesses, with better-than-expected employment, retail sales and purchasing manager survey results. Brought together, these results contributed to strong U.S. GDP growth, coming in at 3.2% annualized rate for Q1 2019, well ahead of the consensus forecast of 2.3%. U.S. corporate earnings also proved to be a source of good news. Expectations had been broadly downgraded leading into the quarter, pointing to flat or negative growth results, and anything better than that was reason to celebrate and provided a lift to stock values. U.S. and China trade relations also appeared to progress with a more optimistic tone.

In spite of the positive economic and market backdrop, the Fed stood pat (keeping the overnight bank rate target between 2.25% and 2.50%) and maintained a dovish tone. The Fed's focus appears to be shifting toward inflation, which remains stubbornly low and out of sync with the overall economic picture.

All U.S. sectors posted positive returns in April with the exception of Real Estate (down less than half a percent) and the Health Care sector. The U.S. Health Care sector is currently suffering from fears over increased regulation and a

Market Summary

Canadian Fixed Income[1]	Month	YTD
FTSE Canada Universe Bond Index	-0.1%	3.8%
FTSE Canada All Corporate Bond Index	0.3%	4.3%

Canadian Equities[2]	Month	YTD
S&P/TSX Composite	3.0%	15.8%

	Month		YTD	
Global Equities[2]	Local	CAD	Local	CAD
S&P 500	3.9%	4.3%	17.5%	15.7%
MSCI EAFE	3.0%	2.8%	13.0%	10.0%
MSCI Emerging Markets	2.5%	2.3%	12.2%	10.0%

Currencies and Commodities (in USD)	Level	Month	YTD
CDN $	$0.747	-0.3%	1.9%
Oil (West Texas)	$63.91	6.3%	40.7%
Gold	$1,283.61	-0.8%	0.2%
Reuters/Jeffries CRB Index	$184.25	0.3%	8.5%

Canadian Sector Performance[2]	Month	YTD
Energy	3.5%	18.3%
Materials	-2.5%	5.5%
Industrials	4.1%	19.5%
Cons. Disc.	7.0%	16.9%
Info Tech	6.4%	33.2%
Health Care	2.0%	51.9%
Financials	5.2%	15.2%
Cons. Staples	0.7%	11.0%
Comm. Services	-0.9%	7.8%
Utilities	0.3%	15.1%
Real Estate	-2.8%	13.0%

Local currency unless otherwise stated.
[1]Total return [2]Price only return
Source: Bloomberg

political interest in cracking down on drug pricing (regardless of political affiliation).

Financials and Energy sectors fuel Canadian rally

By contrast, Canadian economic data remains soft. Employment rates fell, housing starts and building permits were weak and the Bank of Canada's expectations for the country's economic growth for the first half of 2019 weakened yet again. The Bank of Canada also held rates at their current 1.75% level, in line with its muted expectations for the Canadian economy. Recent Canadian GDP growth data confirms the slowing economic backdrop in Canada. While year-over-year growth has held up at 1.1%, the average for the last six months sits at exactly zero with four of the six months showing downturns in growth.

In spite of greater economic headwinds in Canada, our equity market still fared well with Canadian heavyweight sectors, Financials and Energy, delivering strong results in April.

All of Canada's big banks saw strong stock price gains in response to the steepening yield curve as longer-term yields began to tick up (recall that in March the yield curve inverted briefly in both Canada and the U.S.). A steepening of the yield curve (when longer-dated interest rates rise more and are higher than shorter-dated interest rates) is favoured by banks whose business models line up with paying out at short term interest rates to savers (i.e., interest paid on savings and chequing bank accounts), while lending and collecting interest from consumers and businesses on longer-term loans (i.e., on mortgages and business loans).

Canada's Energy sector benefitted from stronger oil prices. U.S. plans to tighten sanctions on Iran and political turmoil in Venezuela both helped WTI oil prices rise over the US$60 per barrel mark, and briefly reaching as high as US$66 per barrel in April. Despite the strength in energy prices, the loonie lost ground against the greenback on the aforementioned economic weakness in Canada.

Lackluster bond returns as longer-dated interest rates rose

March's inverted yield curve reversed course as longer-dated interest rates ticked higher in April, while short-dated interest rates were held steady by weak global inflation and central bankers apparent lack of desire to raise rates anytime soon. The re-steepening of the yield curve helped alleviate some of last month's recession worries but ate away at overall bond market returns. All bond sectors stayed close to the proverbial zero return 'float' line while corporate bonds performed better than their government peers and managed to stay above water.

Our latest GLC Insights series: Three big market themes happening right now

As 2019's market themes play out, they will each play a role in shaping investors' results. The latest GLC Insights series covers three big market themes happening right now, what to make of them and what to do next. For a deeper look at today's market themes, read more in our three-part series entitled: 'An inverted yield curve, a pig that can fly and the tail end of a bull market.'

Christine Wellenreiter, CM

VP Marketing and Communications, has more than 15 years of investment industry experience and has been writing the monthly Market Matters for over 10 years.