

MARKET SUMMARY

TO DEC 31, 2019

WHAT HAPPENED IN DECEMBER

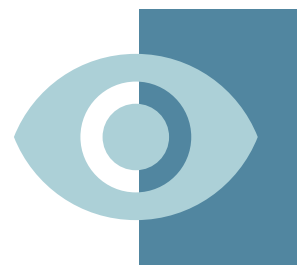
TOP THEMES



- Growth in markets: TSX up 0.45%, S&P 500 up 0.58%, MSCI International Index up 0.80% in December
- Market's new highs in December:
 - TSX: 17,180 on Dec 24
 - S&P 500: 3,247 on Dec 27
 - Dow: 28,701 on Dec 27
- Stocks up in December due to:
 - proposed trade deal between US and China; halving tariffs on \$360 billion of Chinese goods and suspending tariffs on \$160 billion of other goods
 - Boris Johnson wins majority in U.K. election
- Canada left interest rates at 1.75 per cent
- Canada unemployment rose to 5.9% from 5.5% in November, biggest one-month jump since 2009; losses in manufacturing and also services (ie. public administration)

WHAT WE'RE WATCHING

TOP 5 THEMES



International:

- On-going global trade war between US and China
- Negative yields on bonds in European Union

Consumer debt in Canada and US:

- 48% of Canadians \$200 away from financial insolvency
- average Canadian owes \$1.77 for every dollar earned
- Canadians owe \$2.16 Trillion – highest debt load of G7
- 5.54% of consumers were 90 or more days past due on at least one non-mortgage credit product in the third quarter, compared with 5.25 per cent in the same period in 2018

Interest rates:

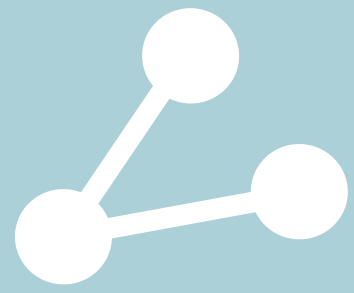
- Canada: - 50% chance of a Bank of Canada interest rate cut by July because of weakening employment (up to 5.9% in December from 5.5% in November)
- USA: - no changes expected in 2020
- Europe - last rate cut in September 2019 to -0.50%

Cdn. dollar:

- expected to stay between 75 – 80 cents USD
- at 76.9 cents USD on Dec. 31st

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TOP 5 THEMES TO END 2019



- **S&P 500 +24.8%**
 - 2019 just missed the “Top 10” highest annual return (came in at #11)
 - Top three highest were: 46.6% in 1931, 45% in 1954 and 41.4% in 1934
 - Bottom 3 were: -47.1% in 1931, -38.6 in 1937 and -38.5% in 2008
- **TSX +22.8%**
 - 2019 almost not even in the Top 20 (#18)
 - Top three highest were: 48.4% in 1950, 44.8% in 1979, and 39.1% in 1954;
 - Bottom 3 were: -33% in 2008, -25.9% in 1974, and -20.6% in 1957
- **Pot stocks:**
 - Canopy growth: -25.4%
 - Aurora: -58.9%
 - Cronos: -30.7%
 - persistent supply shortages
 - delayed launch of edibles and derivatives
 - high taxes (ie. 45% in California)
 - how to find true value of companies beyond hype

WHAT CAUSED THE GROWTH?



TOP 5 THEMES

- 2019 was strong not by what did happen in markets this year, but what didn't:
 - the economy didn't tip into recession
 - interest rates didn't rise
 - US-China trade war didn't escalate indefinitely
- “End-point bias”: - Markets down approx. 10% Oct '18 – Dec '18 so starting the year from a low point
- Growth in all “Cap” sizes: Large Caps +30%, Mid-Cap +25%, Small-caps +22%
- Best performing sector was Technology, which was up over 40%
- Interest rate cuts in US and Europe
 - USA: - cut to 1.5% on October 31st
 - Europe - cut in September '19 to -0.50%
- Oil up 27.7% (\$48.03 / barrel to \$61.21 / barrel)