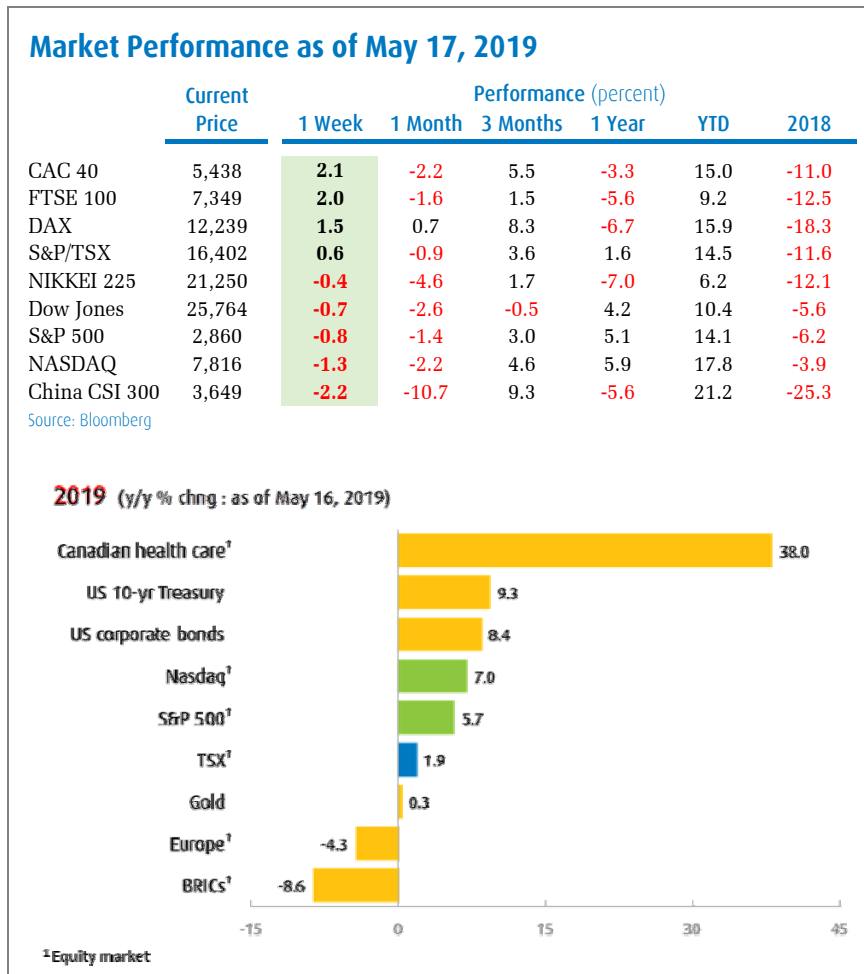


## The Big Bull Theory

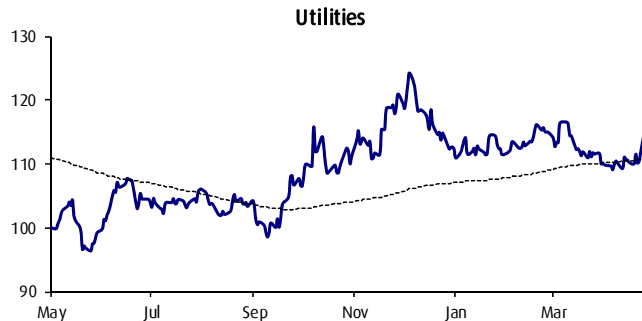
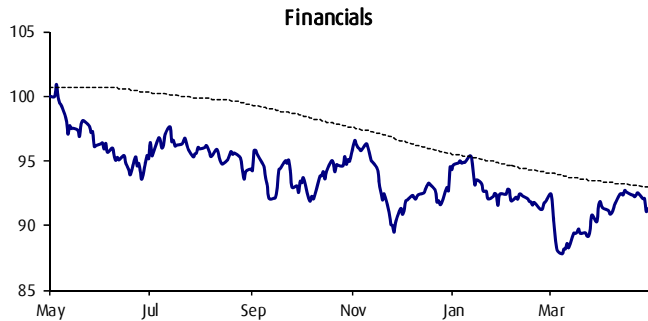
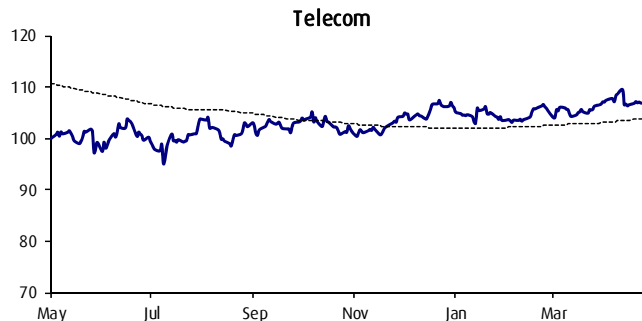
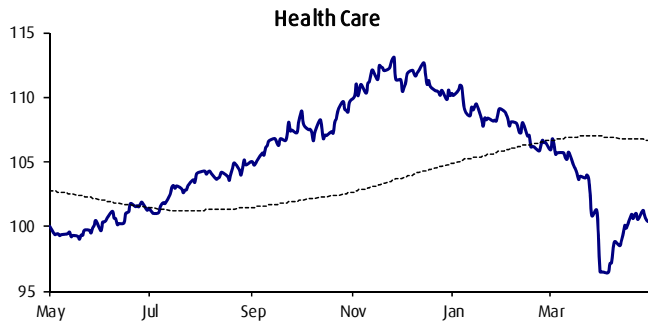
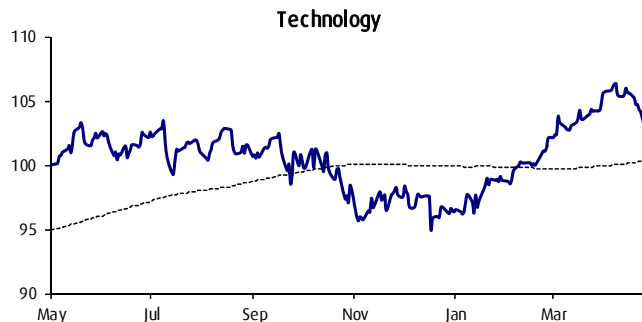
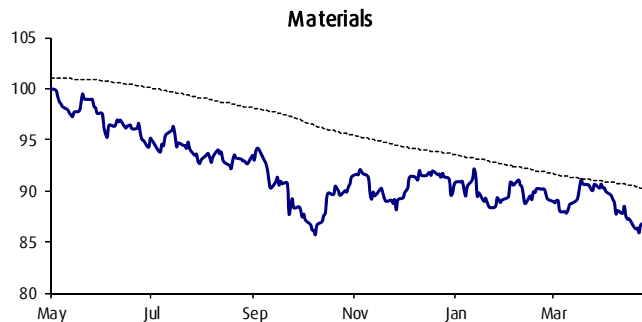
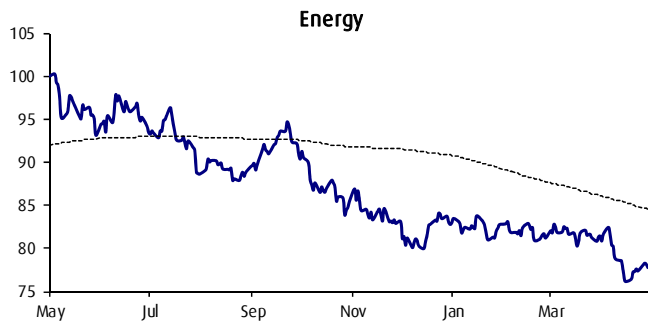
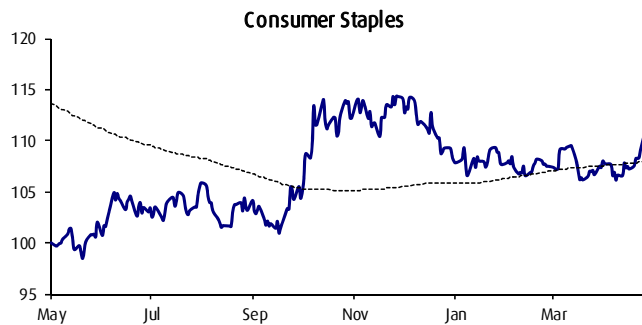
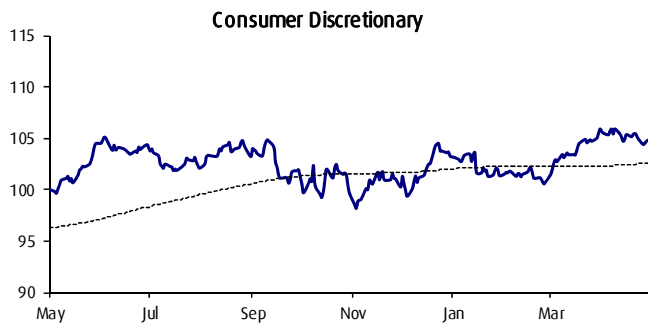
Equity markets had a choppy week alongside renewed trade tensions and mixed U.S. economic data. The S&P 500 dipped 0.6% by the time it all finished, with defensives—consumer staples, telecom and utilities—the only sectors in the black. Investors were greeted Monday morning by word that the U.S. was raising tariffs on \$200 bln of Chinese goods from 10% to 25%, to which China retaliated. Of course, this sudden turn came after months of progress on this file that had helped lift the S&P 500 to a new high. Meantime, almost every strong piece of data this week (see housing starts and consumer sentiment) was negated by something on the weak side of consensus (see retail sales and industrial production). That combination was enough to keep the late-cycle chatter going, as we are now well into the longest bull market on record, and soon to be the longest economic expansion in modern U.S. history. Still, the believers will point to a few fundamental pillars that suggest this big bull still has some life. First, while the economy is pushing capacity constraints, particularly in the labour market, inflation remains tucked right around 2% and wage growth is manageably firm (at any rate, it's not driving up unit labour costs as productivity growth has improved). Second, the Fed's move to the sidelines this year may well have bought the cycle more time just as the yield curve was inverting—kind of like a modified 1997 moment? Third, firm earnings, lower bond yields, and a consolidation in stocks over the past year allowed valuations moderate.

Meantime, a scan across various geographies and asset classes shows a much less even leaderboard than we've been used to over the past two years. Recall that in 2017, pretty much every asset class out there was posting gains—bonds, U.S. stocks, China, Bitcoin and real estate (even Vancouver home prices rose). That picture was completely flipped last year, with most asset classes down, and even 10-year Treasuries only scratching out a small positive total return at the end of the year. Now, things look a lot more balanced. Emerging markets continue to struggle, with trade tensions weighing on China. Europe is down as well, amid Brexit concerns and a much slower overall economic growth profile. North American stocks, however, have benefited from sturdy earnings and some better spring data. And, the Federal Reserve backing off its tightening cycle and winding down its quantitative tightening program was precisely the fuel needed to push indexes back to peak levels. Of course, the bond market has feasted on that monetary policy tack as well, with 10-year Treasuries returning nearly 10% in the past year, outperforming the mighty Nasdaq. The real big winner? Canadian health care (i.e., pot)—a momentum sector that just goes about its businesses regardless of all the noise.

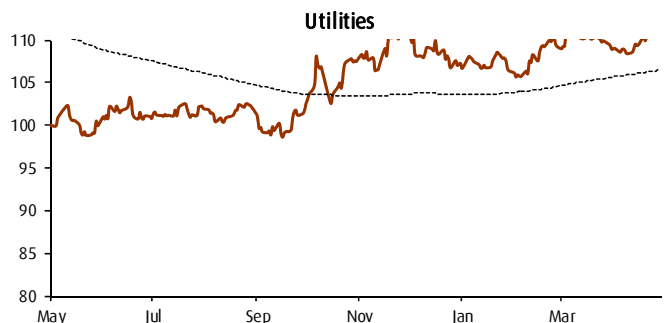
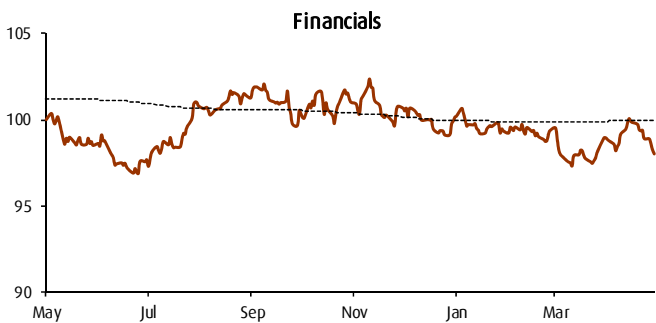
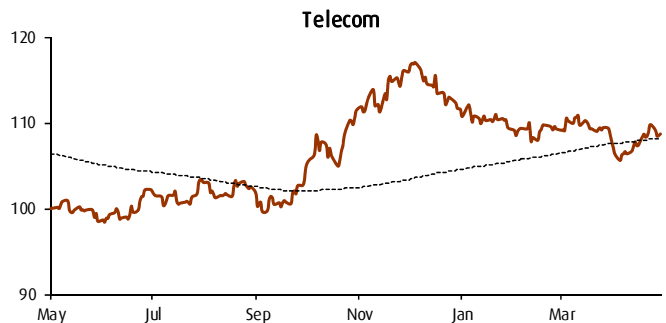
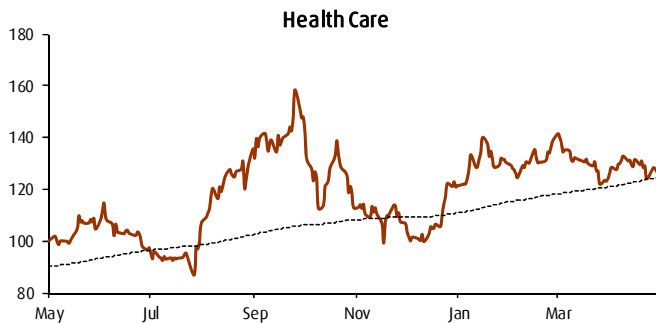
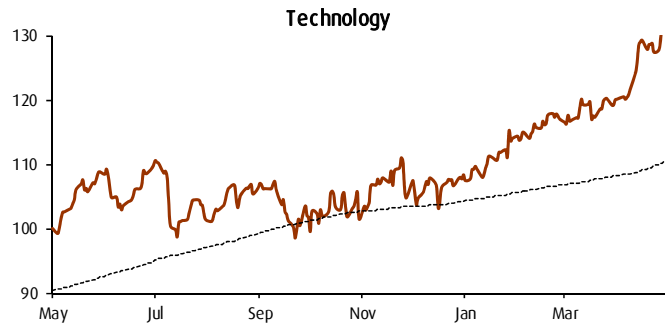
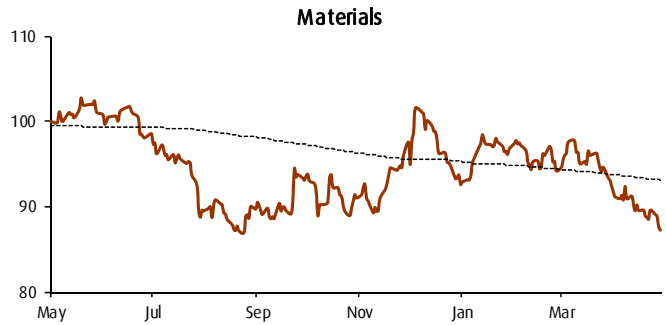
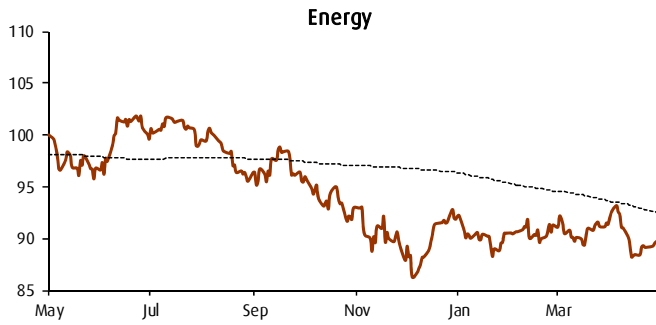
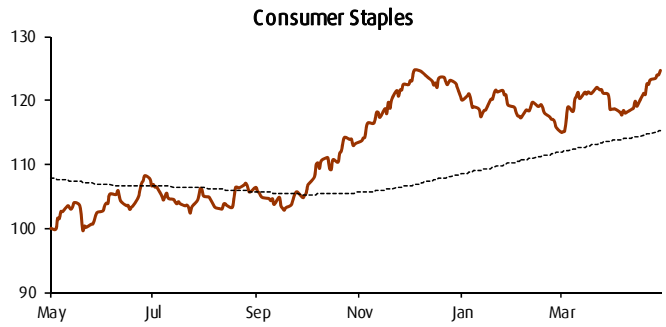
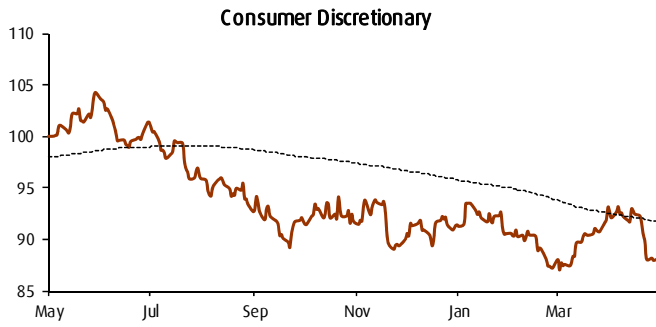


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**S&P 500 Sector Performance** (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



**TSX Sector Performance** (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



## North American Sector Performances as of May 17, 2019

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2018
Utilities	1.2	2.2	5.4	20.1	10.6	0.5
Cons Staples	0.9	1.4	6.3	16.3	13.7	-11.2
Telecom Services	0.3	-0.6	7.5	13.9	18.7	-16.4
Health Care	-0.5	3.0	-4.8	6.5	2.1	4.7
Energy	-0.7	-6.3	-3.6	-19.1	10.4	-20.5
Materials	-0.8	-5.4	0.2	-8.5	8.0	-16.4
Information Technology	-1.1	-3.0	8.2	8.9	21.3	-1.6
Cons Discretionary	-1.1	-2.6	6.3	10.1	17.7	-0.5
Industrials	-1.9	-3.5	-1.0	0.1	16.1	-15.0
Financials	-2.1	-2.0	1.8	-4.7	12.5	-14.7
Banks	-2.9	-4.1	-0.9	-9.2	12.7	-18.4
S&P 100 Large Cap	-0.6	-1.5	4.1	6.1	13.8	-5.9
S&P 600 Small Cap	-1.6	-1.6	-2.7	-5.2	12.4	-9.8
S&P 400 Mid Cap	-2.3	-3.0	-1.3	-3.0	13.6	-12.5
<b>S&amp;P 500</b>	<b>-0.8</b>	<b>-1.4</b>	<b>3.0</b>	<b>5.1</b>	<b>14.1</b>	<b>-6.2</b>

### TSX Sectors

Industrials	3.8	4.3	11.6	13.8	22.7	-3.9
Information Technology	3.0	9.6	20.1	34.1	39.9	12.5
Gold	2.8	-1.4	-3.1	-1.5	-0.1	-7.2
Cons Staples	2.4	4.2	8.2	25.7	15.4	0.6
Utilities	1.4	1.4	8.7	14.1	17.4	-13.4
Energy	1.1	-3.0	2.5	-9.6	16.2	-21.5
Telecom Services	0.2	-1.0	2.6	10.7	8.5	-5.3
Banks	-0.4	-1.3	0.4	-1.8	10.4	-11.4
Materials	-0.5	-6.7	-5.7	-11.0	0.2	-10.6
Financials	-0.6	-1.6	2.2	-0.2	12.4	-12.6
Health Care	-1.1	2.0	-0.3	36.3	45.4	-16.6
Cons Discretionary	-1.4	-5.2	0.6	-10.1	10.8	-17.7
Income Trusts	1.5	2.0	5.1	11.6	16.1	-7.0
REITs	1.1	2.4	3.7	12.5	12.8	0.9
S&P/TSX Mid Cap	1.2	-1.1	2.0	-1.5	14.9	-15.2
S&P/TSX 60 Large Cap	0.5	-0.8	4.0	2.6	14.4	-10.5
S&P/TSX Small Cap	0.4	-2.2	-1.9	-13.2	7.7	-20.1
<b>TSX</b>	<b>0.6</b>	<b>-0.9</b>	<b>3.6</b>	<b>1.6</b>	<b>14.5</b>	<b>-11.6</b>

Source: Bloomberg

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