

Issue 5

WORST WEEK IN 3 MONTHS

Volatility is back. Stocks suffered their biggest one-day pull back in three months on Thursday as traders grew concerned about the number of coronavirus cases increasing in some states that are reopening from lockdowns. Shares that have surged recently on hopes for a smooth reopening of the economy led the declines. The Dow Jones Industrial Average fell 1505.44 points, or 5.6% to 25,605.54 this past week, its worst weekly performance since the third week in March, when circuit breakers were triggered multiple times. It would have been worse except that the benchmark followed a Thursday drop of 1,862 points or 6.9%, with a Friday rebound that almost lost steam before stocks surged into the close. After rising to three straight record highs, the Nasdaq Composite closed the week down 2.3%, while the S&P 500 lost 4.8%, to 3,041.31.

There were a few factors cited for the pullback, including continued concerns about the disconnect between the magnitude of the bounce in stocks over the last couple of months and a weak macro backdrop. Heightened attention on signs of excess on the part of retail investors, worries about an uptick in coronavirus infections and hospitalizations in several new areas and a cautious recovery outlook from the Fed saying that it will keep rates at currently low levels through 2022. COVID-19 case data will get plenty of attention in the coming weeks and will be a source of choppy trading on particularly good or bad days. The fear of the unknown catches more volatility than anything.

Worries over growing cases in Arizona, California, Florida and Texas, as well as a new outbreak in China over the weekend are likely to affect the markets in the weeks and months ahead. If the outbreaks grow and prompt governments to reimpose economically disruptive lockdown orders, the rebound from March's and April's depressed levels of activity could be delayed. However, as Wall Street is growing more concerned about a second wave of coronavirus cases in the United States, Treasury Secretary Steve Mnuchin has made it clear the U.S. will not shut down the economy. On Thursday, Mnuchin said that shutting down the economy for a second time to combat the spread of Covid-19 isn't a viable option.

It isn't just the rising Covid-19 cases affecting investor sentiment, the November presidential election is also starting to make waves. Polling and betting odds have moved in favour of former Vice President Joe Biden in recent weeks—an outcome perceived as less favourable to the market than the re-election of President Donald Trump. Early Monday morning Trump sparked a friendly feud with his opponent by tweeting "Biden has been part of every failed decision for decades. Bad Trade Deals, Endless Wars, you name it, he has shown a complete lack of leadership." It seems like Trump is forgetting the fact that there are nationwide protests and riots continuing to break out in his country. Over the weekend, protesters in Atlanta grieved the death of another black person at the hands of police. Rayshard Brooks was shot and killed by an Atlanta police officer at a Wendy's parking lot in Atlanta Friday night. Atlanta Police Chief has since stepped down as the fatal death of 27-year-old Rayshard Brooks sparked a new wave of protests in Atlanta after turbulent demonstrations arose from



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MARKET SUMMARIES

(at Friday's close)

S&P/TSX Composite **up 1.37%** at 15,256.57 (**down 10.59% ytd**)

S&P/TSX Venture **up 1.97%** at 554.91 (**down 3.92% ytd**)

S&P 500 **up 1.31%** at 3,041.31 (**down 5.86% ytd**)

Dow Jones Industrial Avg. **up 1.90%** at 25,605.54 (**down 10.28% ytd**)

Nasdaq Composite **up 1.01%** at 9,588.81 (**up 6.87% ytd**)

Metals

Gold: \$1737.30

Silver: \$17.48

Copper \$2.60

Energy

Brent Crude Oil: \$38.73

WTI Crude Oil: \$36.26

Natural Gas: \$1.73



the recent passing of George Floyd in Minneapolis had calmed down. Protesters on Saturday night set fire to the Wendy's restaurant where Brooks was shot the night before.

Elsewhere, China reported 57 new confirmed COVID-19 cases for June 13th, the highest since April 13th, according to data released by the national health authority on Sunday. Beijing recorded a jump in new confirmed cases, up from six a day earlier, after it started doing mass-testing at the Xinfadi market in the city's southwestern Fengtai district. The district has put itself on a "wartime" footing and the capital banned tourism and sports events on Saturday, sparking fears of a new wave of COVID-19.

In Canada, Prime Minister Trudeau says the federal government is looking at extending the Canada Emergency Response Benefit (CERB), and is promising an update by the end of the week. By the first week of July and through the summer, millions of Canadians will come to the end of their 16-week eligibility period to claim CERB, which has prompted questions about what will happen to those who have been on this program since it first launched and have already accessed the full \$8,000 available but are still out of a job and without income due to COVID-19. Trudeau announced on Monday that because so many are still struggling, the government is "working on a solution to extend the benefit for people who can't return to work yet."

IN THE WEEK AHEAD

As I have said in recent weeks, a lot still remains unknown. From a trade fight to a war of words over the origin of the coronavirus, to greater scrutiny of Chinese firms on Wall Street, second-wave concerns, riots and protests, the Fed/Government response, and the November presidential election will trigger a burst of volatility in the months to come. A Trump influenced, friendly monetary policy from the Federal Reserve and Treasury cannot offset the consequences of an evolving COVID-19 second wave and nationwide social unrest.

Our quote of the week is from the Russel E. Palmer Professor of Finance at the Wharton School of the University of Pennsylvania, Jeremy Siegel.

"Fear has a far greater grasp on human action than the impressive weight of historical evidence."



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