

## Canadian Strategy Snapshot

### The Week That Was in Canada

#### A Week of Recovery Hopes and Continued Anxiety

Finally, some relief. In the five weeks that have passed since the TSX scored its most recent all-time high, the index is down 29.3%. However, thanks to three out of the past five trading days, the index exhibited its first positive weekly close since the week of February 10. While the week started and finished with a thud, we cannot help but be encouraged by the rebound. Furthermore, in an investment climate that has been anything but “conventional,” we believe Canadian stocks actually provided evidence of some “normalcy” last week. For instance, the worst performing stocks since the TSX’s peak by far outpaced the corresponding set of best performers (during the correction) since the peak. In other words, sell your winners and buy the losers. Typically, such trends depict a traditional oversold rotation and bottom fishing. However, it is important to point out that these former “top losers” only mildly outperformed the overall market. What does this mean? We think it displays much stronger breadth and participation – which is a very good thing. Indeed, bottoms are rarely formed in a day, let alone three days following such a violent and fast correction. As such, we continue to expect elevated periods of volatility over the weeks and months to come until such time that the COVID-19 narrative begins to change (less negative to eventually positive). However, as we stated in our recent report “[COVID-19 Positioning and the Expected Canadian Recovery](#)”, this malaise and anxiety will dissipate. Therefore, we will gladly accept what we can get in terms of positive returns, as the market and investors alike hopefully begin to settle into some more rational behaviours.

#### Main Points:

- A Week of Rotational Rebounds
  - ✓ The Week That Was – High or Low Lights From Each Day
  - ✓ Last Week’s Winners = This Week’s Underperforming Sectors
  - ✓ Trading Volumes Slow, But Still Well Above 12-month Average
  - ✓ The 30 Worst Performing S&P/TSX Stocks Since 2/20 Only Slightly Outperformed the TSX Last Week

#### Investment Strategy

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#### Major Indices Price % Performance

Index	1M	YTD	6M	12M
S&P/TSX	-25.5	-25.6	-24.4	-21.5
S&P/TSX 60	-24.0	-23.9	-23.1	-19.9
S&P/TSX Small Cap	-35.2	-39.8	-38.1	-38.4
S&P 500	-18.4	-21.3	-14.9	-9.7
DJ Industrial Average	-19.7	-24.2	-19.8	-15.9
NASDAQ Composite	-16.5	-16.4	-7.1	-2.2
MSCI EAFE	-18.9	-21.9	-17.8	-15.4
MSCI Emerging Mkt	-16.7	-20.2	-13.3	-15.2
MSCI EMEA	-22.2	-26.3	-23.0	-22.7
MSCI Europe	-21.6	-24.3	-20.0	-17.5

Source: BMO Capital Markets Investment Strategy, FactSet.  
 Performance figures reflect close prices as of 3/27/2020.

## A Week of Near Records

Week of March 23, 2020		%Daily	Market Highlights and Lowlights
Monday	S&P/TSX	-5.3%	<ul style="list-style-type: none"> <li>The TSX closed at 11,228; down 34% from the February 20, 2020 high – lowest level since October 4, 2011.</li> <li>What could be the first signs of sector rotation and/or total capitulation, Utilities posted their worst daily performance on record; this following their significant outperformance since the 02/20/2020 high.</li> <li>In another sign of capitulation level fear, Gold gained 5.6%, the strongest daily performance since March 9, 2009.</li> </ul>
	SPX	-2.9%	
	WTI	3.2%	
	Gold	5.6%	
	CADUSD	(0.009)	
Tuesday	S&P/TSX	12.0%	<ul style="list-style-type: none"> <li>News of a U.S. stimulus package and QE infinity spark broad recovery rally.</li> <li>After setting an almost decade low, the S&amp;P/TSX gained 12%, marking the largest daily percentage gain since daily pricing history starts in 1976.</li> <li>Gold gained 5.9%, the strongest daily performance since March 9, 2009, its second-consecutive record-setting day.</li> <li>Consumer Discretionary, Industrials, and Utilities posted their strongest daily performance on record.</li> </ul>
	SPX	9.4%	
	WTI	2.8%	
	Gold	5.9%	
	CADUSD	0.003	
Wednesday	S&P/TSX	4.5%	<ul style="list-style-type: none"> <li>The TSX gained a more modest for current times 4.5%, marking the second-consecutive daily gain, the first time this occurred since February 20, 2020.</li> <li>However, the TSX posted its strongest daily relative performance versus the U.S. since August 10, 2011.</li> </ul>
	SPX	1.2%	
	WTI	2.0%	
	Gold	-1.6%	
	CADUSD	0.007	
Thursday	S&P/TSX	1.8%	<ul style="list-style-type: none"> <li>After posting the best relative performance versus the S&amp;P 500 since 2011, the TSX posted its worst daily relative performance versus the U.S. since December 2, 2008.</li> <li>Go Loonie Go –the Canadian dollar gained almost 1.5 cents on the day, the strongest gain for the loonie since March 2016.</li> </ul>
	SPX	6.2%	
	WTI	-7.7%	
	Gold	1.1%	
	CADUSD	0.014	
Friday	S&P/TSX	-5.1%	<ul style="list-style-type: none"> <li>The Bank of Canada cut the overnight rate by 50bps to 25bps and initiated QE; however, the loonie ended the day relatively flat.</li> <li>The Real Estate sector was the top-performing sector on the day and the only sector to post a gain, the first time this has ever occurred.</li> </ul>
	SPX	-3.4%	
	WTI	-3.6%	
	Gold	-1.5%	
	CADUSD	(0.001)	

Source: BMO Investment Strategy Group, FactSet.

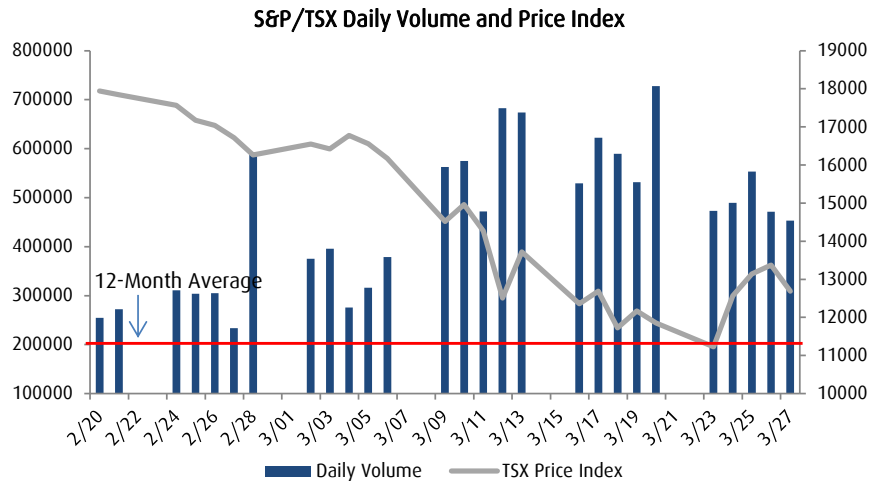
## A Week of Rotational Rebounds

### Sectors Swung Around Last Week

	Week of 3/23	Week of 3/16	Since 2/20
Communication Services	2.6%	-8.0%	-18.2%
Consumer Discretionary	14.5%	-22.2%	-34.8%
Consumer Staples	-1.4%	-5.9%	-17.3%
Energy	5.6%	-19.5%	-46.0%
Financials	7.5%	-16.7%	-30.1%
Health Care	13.1%	-10.8%	-34.1%
Industrials	4.6%	-12.6%	-25.0%
Information Technology	10.2%	-11.0%	-21.2%
Materials	11.7%	0.4%	-19.4%
Real Estate	5.2%	-24.7%	-35.8%
Utilities	7.6%	-11.5%	-23.1%
<b>S&amp;P/TSX</b>	<b>7.1%</b>	<b>-13.6%</b>	<b>-29.3%</b>

Source: BMO Investment Strategy Group, FactSet.

### Trading Volumes Slow - But Still Well Above 12-Month Average



Source: BMO Investment Strategy Group, FactSet.

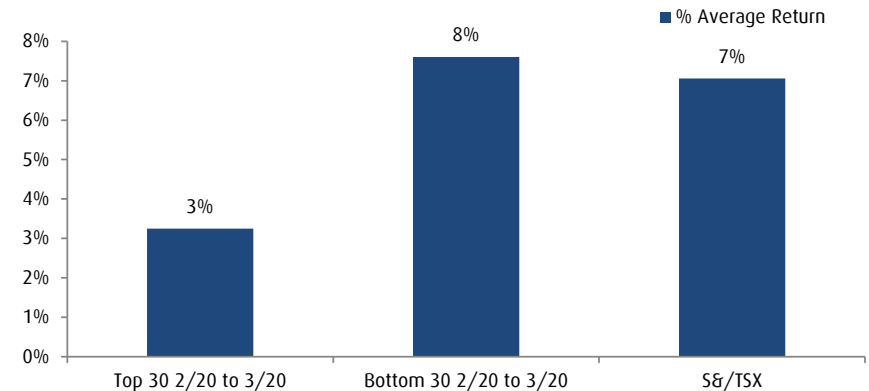
### Canada Is Mostly Keeping Pace With the Rest of the World – During the Good and the Bad

	Week of 3/23	Week of 3/16	Since 2/20
S&P TSX	7.1%	-13.6%	-29.3%
S&P 500	10.3%	-15.0%	-24.7%
NASDAQ Composite Index	9.1%	-12.6%	-23.1%
STOXX Europe 50	5.6%	0.2%	-24.7%
FTSE 100	6.2%	-3.3%	-25.9%
Japan Nikkei 225	17.1%	-5.0%	-17.4%
ASX All Ordinaries	0.4%	-13.2%	-32.8%
Crude Oil WTI (NYM \$/bbl)	-3.5%	-28.7%	-59.5%
Gold (NYM \$/ozt)	9.8%	-2.1%	0.6%
CADUSD	2.0%	-2.5%	-6.0%

Source: BMO Investment Strategy Group, FactSet.

### Bottom Feeding Not That Prevalent as Bottom 30 TSX Stocks Since 2/20 Only Slightly Outperformed This Week

Weekly Average Return (3/20-3/27):  
Top 30 and Bottom 30 S&P/TSX Stocks From 2/20 to End of Last Week



Source: BMO Investment Strategy Group, FactSet.

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Hold	Market Perform	51.8 %	18.1 %	43.9 %	50.7 %	43.6 %	37.5%
Sell	Underperform	3.7 %	15.0 %	2.6 %	3.1 %	1.1 %	4.8%

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~ As of April 1, 2019.

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