

# Great Expectations

A Publication of BMO Capital Markets Economic Research · Douglas Porter, CFA, Chief Economist, BMO Financial Group

Equity markets were upbeat this week amid a mix of mostly strong U.S. corporate earnings reports and as investors anxiously await next week's formal monetary policy decision by the Fed. The relatively quiet economic calendar this week was neatly bookended by the U.S. GDP report for Q2, which revealed that, despite some deceleration, the economy had a little more pep in its step than previously expected. The economy expanded 2.1% a.r., notably marking the 40th consecutive quarter of expansion, matching its longest previous expansion (from 1991-2001). Still, with rate expectations hanging in the balance, the Fed likely remains undeterred from making an insurance cut next week given risks posed by trade disputes and as other geopolitical tensions continue to loom large.

With monetary policy poised to ease and positive earnings reports from a few tech heavyweights lending a helping hand, the S&P 500 climbed 1.7% this week, closing at an all-time. Telecom and banks led the way, which easily offset mild pullbacks in energy and utilities.

The TSX grinded out a modest 0.3% gain amid a very light economic calendar in Canada. Technology and consumer-related sectors handily outperformed, while health care and materials weighed on the overall index.

**Table 1 - Market Performance**

		July 26, 2019					
	Current Price	Performance (percent)					
		1 Week	1 Mo.	3 Mo.	1 Year	Y-T-D	2018
NASDAQ	8,330	<b>2.3</b>	5.3	2.4	6.1	25.5	<b>-3.9</b>
S&P 500	3,026	<b>1.7</b>	3.8	2.9	6.6	20.7	<b>-6.2</b>
China CSI 300	3,859	<b>1.3</b>	1.7	<b>-0.8</b>	9.1	28.2	<b>-25.3</b>
DAX	12,420	<b>1.3</b>	1.4	0.9	<b>-3.0</b>	17.6	<b>-18.3</b>
CAC 40	5,610	<b>1.0</b>	2.0	0.7	2.4	18.6	<b>-11.0</b>
NIKKEI 225	21,658	<b>0.9</b>	2.7	<b>-2.7</b>	<b>-4.1</b>	8.2	<b>-12.1</b>
FTSE 100	7,549	<b>0.5</b>	1.8	1.6	<b>-1.5</b>	12.2	<b>-12.5</b>
S&P/TSX	16,531	<b>0.3</b>	1.3	<b>-0.5</b>	0.5	15.4	<b>-11.6</b>
Dow Jones	27,192	<b>0.1</b>	2.5	2.4	6.5	16.6	<b>-5.6</b>

Source: BMO Economics, Bloomberg

Taking a step back, let's not forget that, despite the uptick in stocks, global growth concerns continue to linger and were highlighted by a slew of weak manufacturing sector surveys this week. Of particular note, Germany's manufacturing PMI flashed contraction for the seventh month in a row. Of course, the ECB, too, is crouched and ready to ease rates. While President Draghi didn't take any formal action at this week's meeting, he sang all the dovish hits both in the statement and press conference, remarking that rates could indeed reach "*lower levels*" in the near-term and the Governing Council was "*determined to act*", signaling a cut at the next meeting in September. Germany's DAX index was unenthused by the press conference but still closed 1.3% higher on the week. Meantime, U.K. markets managed to scratch out a modest 0.5% gain even as newly minted PM Boris Johnson's calls for a new Brexit deal continue to be rebuffed by EU officials, raising the odds of a no-deal Brexit.

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## North American Sector Performances

(% change over period)

Table 2 - S&amp;P 500 Sector Performance

July 26, 2019						
S&P 500 Sectors	1 Wk	1 Mo.	3 Mo.	1 Year	Y-T-D	2018
Telecom Services	4.6	6.6	1.5	19.3	24.7	-16.4
Banks	3.7	7.9	2.5	-3.1	21.1	-18.4
Financials	2.7	6.2	3.5	2.2	20.3	-14.7
Info Technology	2.4	6.0	5.1	12.5	33.2	-1.6
Industrials	1.4	2.5	1.3	3.6	22.0	-15.0
Materials	1.0	2.0	3.6	-0.8	16.9	-16.4
Cons Discretionary	0.9	4.3	2.1	9.8	25.1	-0.5
Cons Staples	0.6	4.1	6.0	13.6	19.0	-11.2
Health Care	0.4	0.3	3.4	3.9	6.4	4.7
Energy	-0.5	-1.7	-5.9	-18.9	8.8	-20.5
Utilities	-0.6	1.1	3.3	13.6	13.3	0.5
S&P 400 Mid Cap	2.4	4.5	0.5	-0.7	19.2	-12.5
S&P 100 Large Cap	1.9	4.0	2.7	7.1	20.3	-5.9
S&P 600 Small Cap	1.3	3.3	-2.0	-10.1	12.8	-9.8
<b>S&amp;P 500</b>	<b>1.7</b>	<b>3.8</b>	<b>2.9</b>	<b>6.6</b>	<b>20.7</b>	<b>-6.2</b>

Source: BMO Economics, Bloomberg

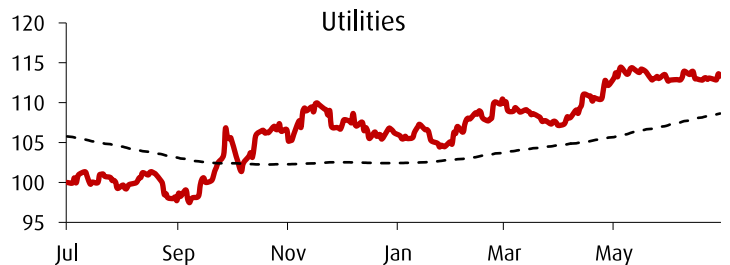
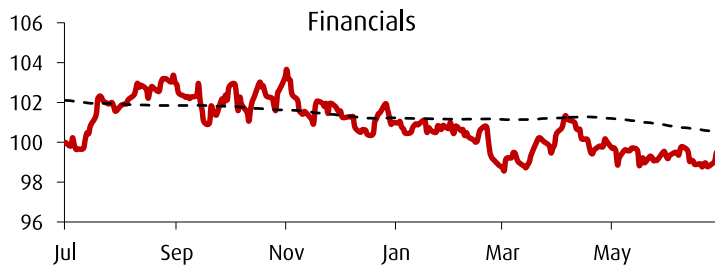
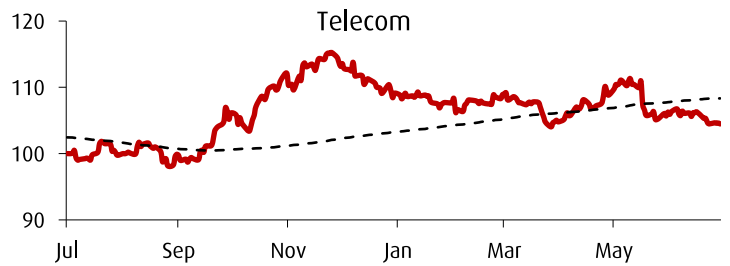
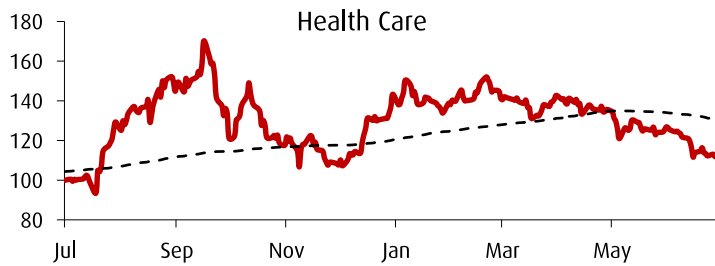
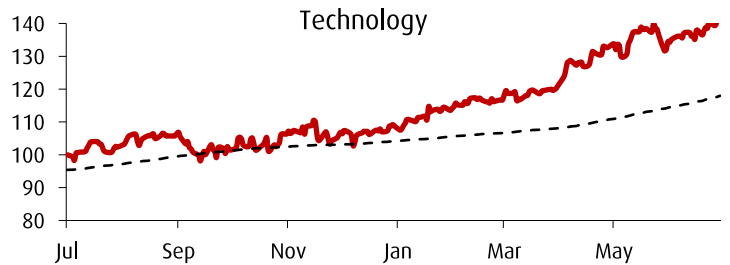
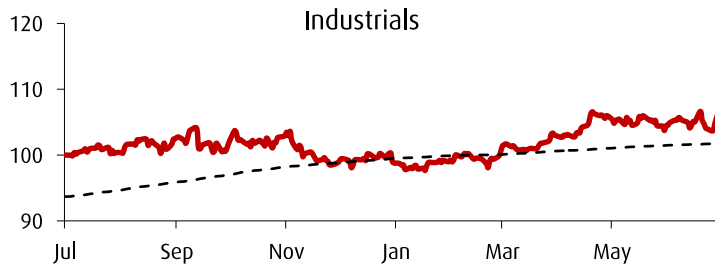
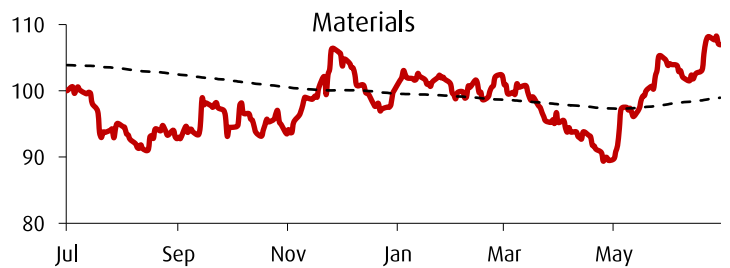
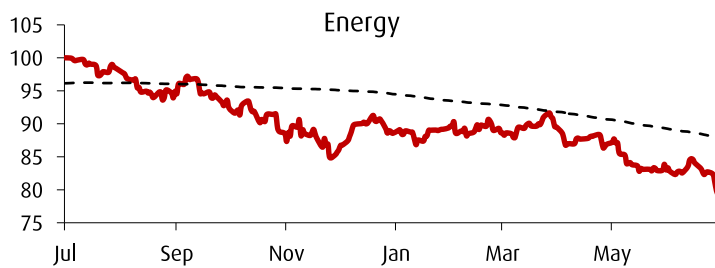
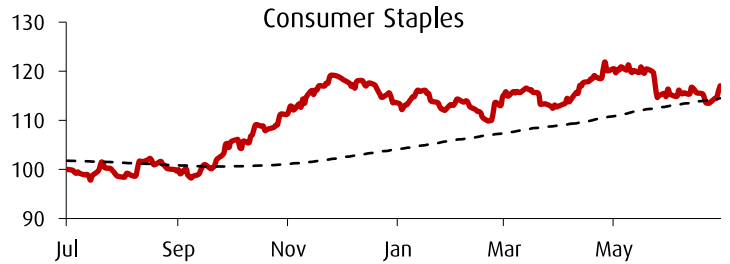
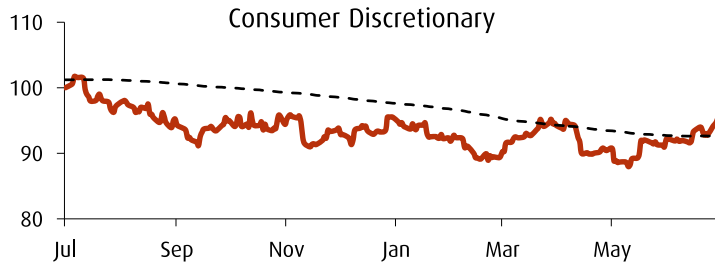
Table 3 - TSX Sector Performance

July 26, 2019						
TSX Sectors	1 Wk	1 Mo.	3 Mo.	1 Year	Y-T-D	2018
Cons Staples	3.6	3.5	3.5	17.4	14.5	0.6
Info Technology	3.4	9.7	18.2	33.3	53.5	12.5
Cons Discretionary	3.0	6.4	0.5	-4.8	18.7	-17.7
Industrials	2.4	3.9	2.7	7.0	23.4	-3.9
Financials	0.7	1.2	-1.0	0.6	13.3	-12.6
Banks	0.7	0.9	-1.7	-1.8	10.3	-11.4
Gold	0.7	8.6	27.6	30.1	30.0	-7.2
Utilities	0.6	1.4	4.9	13.7	21.3	-13.4
Telecom Services	0.1	0.2	-1.0	6.1	6.9	-5.3
Materials	-0.8	3.7	10.0	6.8	17.8	-10.6
Health Care	-1.9	-10.1	-21.7	12.1	19.5	-16.6
S&P/TSX 60 Lrg Cap	0.4	1.3	-0.8	1.0	14.9	-10.5
S&P/TSX Sml Cap	0.0	3.5	2.1	-7.2	12.4	-20.1
S&P/TSX Mid Cap	0.0	1.4	0.7	-1.2	17.0	-15.2
<b>TSX</b>	<b>0.3</b>	<b>1.3</b>	<b>-0.5</b>	<b>0.5</b>	<b>15.4</b>	<b>-11.6</b>

Source: BMO Economics, Bloomberg

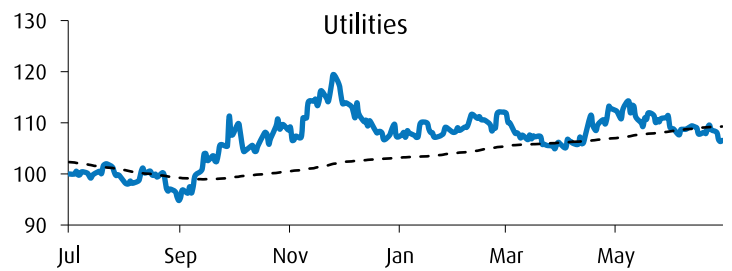
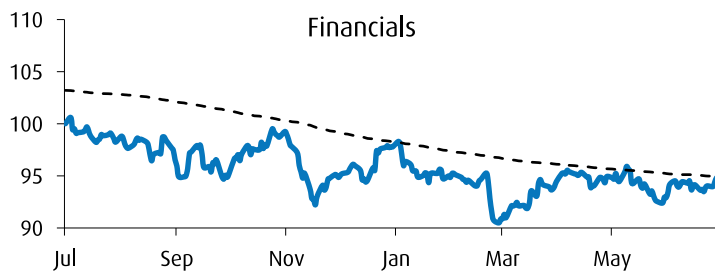
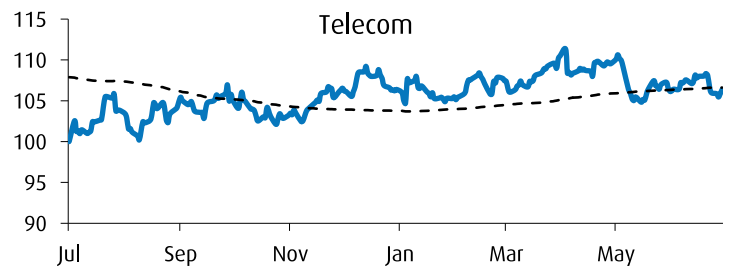
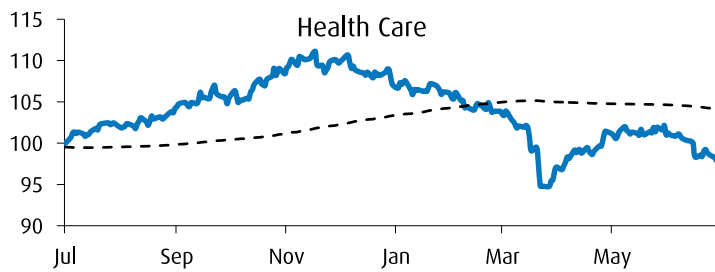
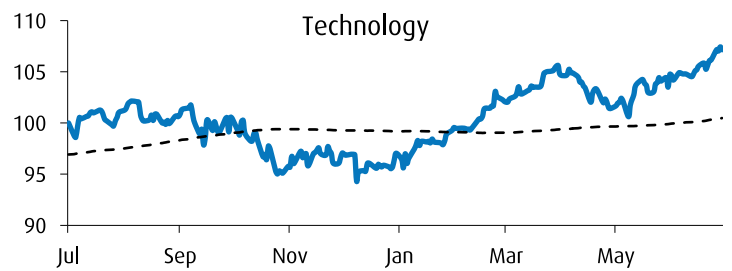
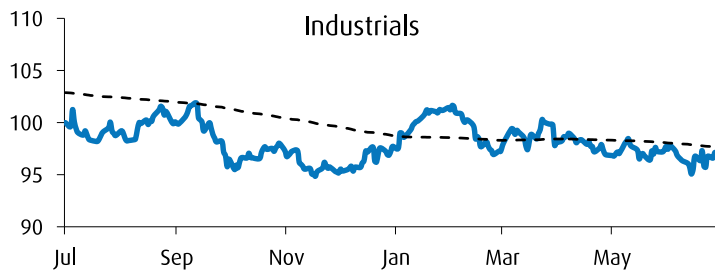
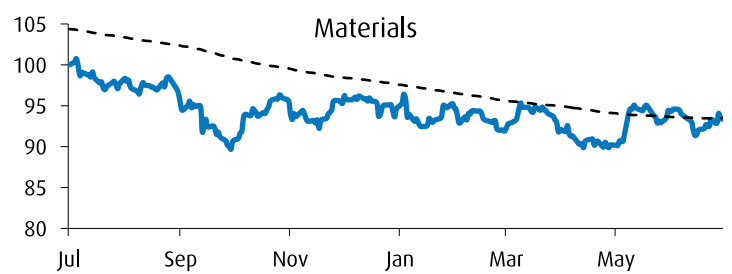
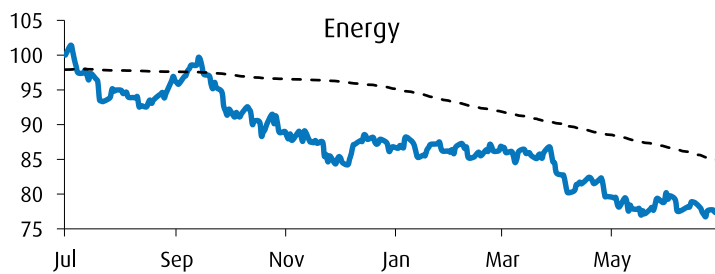
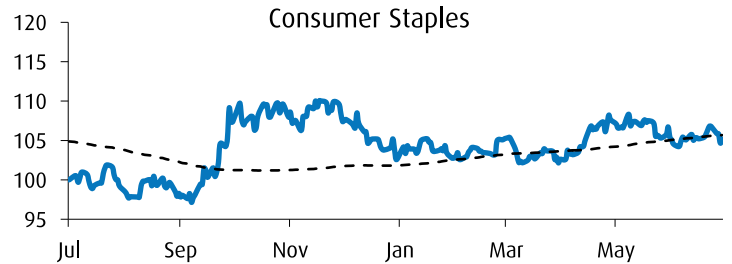
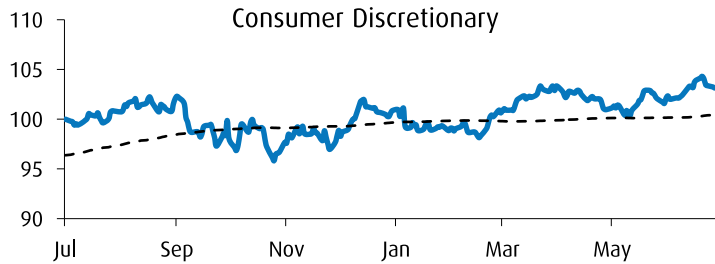
## TSX Sector Performance

(relative to the index, year-ago = 100; dashed line = 200-day m.a.)



## S&P 500 Sector Performance

(relative to the index, year-ago = 100; dashed line = 200-day m.a.)



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