

# CLIENT NEWSLETTER

SEPTEMBER 30, 2019

## Message from the Managing Director, Private Client

I spent 10 years working in the UK and usually started my day with the Financial Times, or “FT” as it is referred to. Once I moved back to this side of the Atlantic in 2011, I again turned to The Wall Street Journal and of course The Globe and Mail as a major source of news. In the opinion of many commentators, the FT presents a much more rounded view of world issues so I recently started reading it again. It is a refreshing break, from the antics south of the border, to read some interesting international stories affecting financial markets. With so much focus on Washington, it is easy to forget that there are other leaders around the world making headlines that impact the financial markets, in the UK for example. The FT has provided me with some interesting perspectives on other issues such as the recently announced quantitative easing by the ECB, as well as France cracking down on short sellers and activist investors. Obviously the U.S. market is a prime focus for any investor, but there are factors outside of the U.S. that are also newsworthy and impactful.

The FT’s tag line is “Make Sense of a Disrupted World” and I believe that one could also suggest that is what we strive to do at Highstreet.

Equity markets posted the strongest year-to-date performance since 1997, while the third quarter was the weakest third quarter since 2015. Market sentiment in the third quarter was weighed by trade uncertainty, geopolitical conflict, and slowing economic data. The US-China trade war continued to create volatility as both parties exchanged tit-for-tat trade measures through most of the quarter. Geopolitical conflict in the Middle East sent Oil skyrocketing over 15% in one day, the largest daily move since December of 2008, as an Oil production facility in Saudi Arabia was attacked. Moving to economic data, major economic indicators softened, prompting many Central Banks around the world to lower interest rates and enact accommodative

monetary policy measures. The US Federal Reserve lowered rates twice through the quarter, while the Bank of Canada chose to keep rates steady throughout the quarter.

Although the third quarter added to the gains made in the first half of the year, the market was not strong throughout the entire quarter. During August, the market corrected as trade tensions escalated, forcing bond yields significantly lower. As rates moved lower in most of the world, the closely watched spread between the US 10 year yield and the US 2 year yield turned negative or inverted for the first time since June of 2007. Towards the end of the quarter, quantitative investing took center stage, as an extreme reversal in two major quantitative investment styles came to fruition. The Momentum style (stocks that are doing well continue to do well) underperformed significantly, while the Value style (stocks that are cheaper perform better than expensive stocks) outperformed significantly. Through the use of Highstreet’s proprietary tools, the Highstreet Investment team was able to capitalize on this reversal.

Despite the noise during the third quarter of 2019, the major takeaway was the push and pull surrounding a number of these high-profile themes. This was particularly the case for the US-China trade war. While the US Fed put meaningful traction behind its policy pivot with two rate cuts, there was scrutiny surrounding internal divisions among Fed representatives, overly aggressive market expectations, and whether easing can counter trade uncertainty and structural headwinds. The Highstreet Investment team continues to monitor the key risks and any further developments in the investment landscape.

We look forward to seeing many of you at our annual Private Client Conferences in November.

**Warm Regards, Michael Hodgson**

## Events & Sponsorships

### Volunteering for Thames Valley District Schoolboard!



Highstreet proudly supports Jordan's Run the Runway!



### We packed over 300 backpacks for Best First Day Backpack Drive!



## Congratulations!



**Tingting Lu**  
Associate Portfolio Manager  
for her Highstreet 5 Year Anniversary!

## Save the Date

Highstreet's Annual Private Client Conference will once again be held at the London Hunt & Country Club with guest speaker Greg Valliere, Chief U.S. Policy Strategist at AGF Investments.

**November 19th OR November 27th**

As always, we would love to hear from you. If you have any questions, concerns or comments do not hesitate to reach out to your relationship manager.

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