Resolutions, Vaccines and New Highs Conclude a Strange Year

Quarterly Market Commentary

Fourth Quarter 2020

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- Capital markets began the fourth quarter of 2020 with a struggling recovery before a sharp early-November advance was propelled higher through the end of the calendar year by a series of constructive announcements relating to COVID-19 vaccines.
- Emerging-market equities outpaced developed markets for the fourth quarter and calendar year. Global sector-level performance was shaken up during the final three months of the year: Energy and financials—which lagged for most of 2020—were the top performers by a wide margin.
- Signs of a recovery should continue to reveal themselves as COVID-19 abates and economic activity normalizes. In the meantime, fiscal spending and accommodative central-bank policy should prop up inflation.

SEI's Domestic View

As if a typical Canadian winter isn't long and dark enough, this one will likely seem longer and darker owing to the novel coronavirus. According to economic consultancy Capital Economics, the nation is subject to one of the most stringent lockdown regimens of any major country—surpassed only by the restrictions imposed upon Italy and the U.K. Mobility data from tech giant Apple shows that all forms of movement (including driving, walking and using public transport) fell off a cliff in March as Canadians sheltered in place during the first wave of the virus. As warmer weather arrived and infection rates receded during the spring and summer months, mobility rates appear to have increased; although transit trends lagged significantly. September brought another round of restrictions as the second wave of COVID-19 cases hit. While it's hard to separate virus-related restrictions on movements from more seasonal weather-related declines in activity, we believe the lag in transit usage shows that pandemic-driven contraints remain a severe economic depressant.

The precautions have helped to keep infections, deaths and hospitalizations much lower than in the U.S. and other hard-hit countries. Nonetheless, the more populous provinces have recorded high rates of confirmed infections when adjusted for population size. Quebec, Alberta and Manitoba each reported in excess of 18,000 confirmed COVID-19 cases (per million) in 2020. Those numbers are on par with the rates recorded in Russia and Germany, but amounted to just 35% of the U.S. total for the year.

Canada's aggressive approach toward social distancing has come at an economic cost. Over the past 20 years, the difference in U.S./Canada Gross Domestic Product (GDP) growth over each four-quarter span averages out to be a tiny 0.03% in favour of the U.S. The strong correlation should be no surprise given the close economic ties the two countries share. However, the performance differential has widened immensely during the COVID-19 crisis. In the second quarter of 2020, Canada's GDP tumbled 12.1% from the year-ago level, while the U.S. suffered a 9.0% decline—a difference that amounted to 3.1 percentage points. That's their largest recorded spread on GDP outcomes over the two-decade period. In the third quarter, the difference in the countries' GDP growth narrowed to a still-substantial 2.3 percentage points.

There also has been a fiscal cost of restrictions during the crisis, as the Canadian government has pulled out all the stops to support the economy. Its Fall Economic Statement 2020[1] estimates that the federal deficit for the fiscal year ended March 31 will total more than C$380 billion, or 17.5% of GDP. Of this amount, some C$275 billion represents its COVID-19 response plan. The deficit is anticipated to shrink to 5.1% of GDP in fiscal year 2022 and to 2.1% in 2023, but this outcome depends upon the speed at which the economy returns to more normal conditions.

As has been the case in other central banks around the world, the Bank of Canada's (BoC) bond-buying program has offset the explosion of government debt issuance that would otherwise have placed pressure upon financial markets. There has been a huge increase in the BoC's holdings of government securities since March 2020—particularly Government of Canada Bonds, which jumped from C$100 billion at the end of March to $370 billion as of December 16. Those purchases essentially offset all of the expected treasury issuance associated with the pandemic response plan for the current fiscal year. These totals exclude more than C$14 billion of provincial bonds, which the BoC did not hold prior to May.

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[1] Fall Economic Statement 2020, "Supporting Canadians and Fighting COVID-19," https://www.budget.gc.ca/fes-eea/2020/home-accueil-en.html.

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At SEI, we expect the BoC to maintain an extraordinarily expansive monetary policy stance. Since lowering its overnight policy rate from 0.75% to 0.25% on March 27 (two weeks after the U.S. Federal Reserve lowered its federal-funds rate from 1.25% to 0.25%), the central bank has announced that it will keep the rate pegged at 0.25% through 2021 and 2022. This should limit the extent to which bond yields rise at the longer end of the yield curve. However, we do expect some upward pressure in longer-term maturities as investors anticipate the return to a more normal environment. In our view, portfolios that have less-than-benchmark duration risk and are positioned for prospective curve steepening should benefit.

Corporate bonds seem better positioned versus their duration-matched government counterparts as they offer a relatively reasonable yield pickup. We believe those yield spreads are likely to grind lower over the coming months as corporate fundamentals improve and default risks subside alongside economic recovery. The biggest challenge for the corporate bond market would likely be a quick and forceful return to active balance-sheet re-leveraging on the back of debt-funded merger-and-acquisition or share-buyback activity. A bias toward corporate bonds would probably be favourable over the next year.

Excluding the panic months of March and April, U.S. BBB yield spreads have tended to trade below Canadian spreads over the past three years. Canadian yield spreads are 77 basis points (a basis point equals 0.01%) wider than their U.S. counterparts as of the end of 2020, about 30 basis points more than the three-year average. We expect this differential to narrow in 2021, as Canadian corporates will likely outperform non-credit fixed-income assets.

Canadian equities, meanwhile, have failed to keep up with the U.S. stock market. In local-currency terms, the MSCI Canada Index (total return) gained just 5.5% in 2020 (as of December 29) versus a 20.8% gain for the MSCI USA Index (total return).

In local-currency terms, peak performance of Canadian equities came in mid-2009 as economic recession was coming to an end. The relative performance peak in common-currency terms came later, in March 2011, courtesy of the Canadian dollar's extended bull market. The Canadian equity market's heavy exposure to financials and energy has been a major drag on performance for years, as has a small weighting to the information technology sector.

We expect the laggards to play catchup in 2021. Energy, materials and other cyclical sectors of the equity market pushed sharply higher in November, in tandem with positive news on the vaccine front. Additionally, the bounce in global economic activity during the second half of the year, led by China's strong economic performance, has caused commodity prices to surge. There are several factors that could help sustain the positive price trends of economically sensitive commodities during 2021: last year's implementation of the United States-Mexico-Canada trade accord; the general lowering of trade tensions with the U.S.; and the promise of even better trade relations between the U.S. and many of its allies under President-elect Joe Biden's administration. Lumber prices have been a big winner since March thanks to the home-construction boom in North America.

Also helping the trend in commodity prices has been the U.S. dollar weakening since March. One of our key assumptions is a weak U.S. currency, on balance, in the years ahead. That would increase the relative attractiveness of non-U.S. assets, and should provide an especially favourable backdrop for commodity prices. As an important commodity-producing country, Canada's stock market and currency should, in our view, benefit from this emerging trend.

SEI's Global View

We're all looking forward to a better 2021. From the looks of it, investors have already begun to look beyond the valley.

Recent market chatter has hinted at the notion of a "Great Rotation" in capital markets, suggesting that investors may have begun to favour value and cyclical sectors over growth names. While we have seen some evidence of this, we believe it is too early to tell if this is the beginning of a major secular shift in equity investment themes.

Since September, value style equity indexes have outpaced their growth counterparts to varying degrees across geographies and market capitalizations, most notably within U.S. large caps. We have observed several signs of potential normalization that seem to support the prospects for a style regime change.

- In October, Treasury yields started to tick up. However, we would be surprised if rates moved sharply higher in 2021.
- The development of highly effective COVID-19 vaccines has helped investors shake off worries that the pandemic would last indefinitely.
- Regulatory developments in both the U.S. and abroad have hinted that the dominance of large technology companies may no longer be as straightforward, long-lasting or profitable as some investors have grown accustomed.

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No one knows if this shift is, in fact, a Great Rotation, but we think investors will prove willing to shrug off the likely prospect of more bad news during the difficult months that lay ahead, which could include slowdowns or pauses in vaccine manufacturing, distribution, administration and uptake.

Politics will also come into play, and can either act as a tailwind or a headwind. The Congress struggled for months trying to get additional income support to the people and businesses most seriously affected by the economic disruptions politicians caused by the virus. They finally came up with a $900 billion compromise that is limited in scope and falls far short of what is needed. Most of the benefits are set to expire in March and April, and it does not address revenue shortfalls facing state and local governments.

Policy depends on personnel, and there is no disputing the priorities of a Biden administration will be quite different from those of the Trump era. One of the most important nominations put forth by President-elect Biden is that of former Fed Chair Janet Yellen as Treasury Secretary. A close working relationship between the Treasury and the Fed will probably be reassuring for investors in the near term since there is little doubt that the central bank will continue its extraordinary efforts to support the economic recovery in 2021.

Casting our focus across the Atlantic, the last-minute Brexit deal provided a Christmas gift of sorts, at least in terms of removing a degree of uncertainty. While a skinny deal is better than none, the UK's long period of intense uncertainty continues to a degree, as the deal addressed the transfer of goods but not commerce in services.

Barriers to trade introduce economic inefficiencies. Post-Brexit, U.K. prices will likely move a bit higher, GDP a bit lower and supply chains a bit more unreliable.

Looking at the forward price-to-earnings ratio of the MSCI United Kingdom, MSCI Europe ex-U.K. and the MSCI USA Indexes, we can see that the U.S. market has consistently traded at a premium valuation over the past 15 years.

That premium has widened since 2017 and expanded significantly further in 2020. The other two markets have mostly traded at similar valuations to each other over time—but major divergence began to develop in 2019 and became more pronounced in 2020.

U.K. equity valuations, in our opinion, reflect much of the bad news. Maybe it is time for investors to think about the things that could go right:

- First, of course, is the development and distribution of vaccines, which are expected to drive the global economy to higher ground in 2021. This should benefit the large energy, materials and industrial multinationals that make up nearly one-third of the market capitalization of the MSCI United Kingdom Index.
- The country also appears competitive versus other advanced countries when measured by various benchmarks, such as relative unit labour costs.
- The government's trade negotiators have already fanned out across the world to make sure that the U.K. retains the same trade agreements that it has enjoyed as a member of the EU.
- Prime Minister Boris Johnson has backed away from his attempt to renege on the Withdrawal Agreement that allows Northern Ireland to trade without border restrictions with Ireland and the rest of the EU. This decision saves a lot of headaches, especially with the incoming Biden administration having threatened to impose trade sanctions if the treaty was abrogated.

Like so many other relationships in the equity market, the underperformance of the eurozone benchmark has been going on for a long time. The European economy is more cyclical, value-oriented and less dynamic than the U.S. economy. But that certainly does not prohibit a rebound in performance against the U.S. stock market at a time when the latter appears to be excessively tilted toward technology stocks, the U.S. dollar is weakening and a global economic recovery is at hand.

The pandemic has had one good outcome for Europe. It finally forced Germany and other fiscal "hawks" to allow an expansion in fiscal policy. This move away from budgetary austerity should be viewed in context. Most countries have experienced a sharp rise in red ink this year, and the biggest deficits are outside the eurozone. The Europeans probably can afford to run higher deficits than the International Monetary Fund appears to be penciling in for 2021. Italy almost certainly will. The memory of the European periphery debt crisis is still fresh in the minds of many policymakers who realize that pushing for fiscal austerity measures prematurely would probably be a mistake.

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On the other hand, we think there is a greater need for other countries outside the eurozone to regain control of their finances. If those countries fail to do so, Europe could be the beneficiary of investment flows that would further prop up the euro and equity valuations.

Emerging-market equities have been on a tear since they bottomed out last March. For 2020 as a whole, the MSCI Emerging Markets Index (total return) climbed by 18.3%—slightly better than the 15.9% gain registered by the MSCI World Index (total return), which tracks the performance of developed-country stock markets.

However, the MSCI Emerging Markets Index is still just 10% above its previous high-water mark recorded in January 2018. Frontier markets have fared even worse. The MSCI Frontier Emerging Markets Index (total return) has yet to surpass its most recent pre-pandemic high level recorded last January.

Fortunately, not only has the combined firepower of global central banks prevented a liquidity crisis, it has also driven borrowing costs down to near-record lows even as total emerging-market debt exceeds 200% of GDP. Only two problem debtors—Argentina and Turkey—had to increase their interest rates in recent months to stem investment outflows. As the world returns to normal, other nations may need to raise rates in order to attract sufficient investment inflows to sustain their fiscal and current-account positions.

A weak U.S. dollar is an important catalyst for emerging-markets performance. Although the currency has weakened meaningfully this year and pushed emerging-market equities higher, the performance of emerging markets relative to developed markets has been in a narrow range. We expect the coming year will see emerging equities' relative performance improve, partly because the U.S. dollar should continue to weaken.

If the world economy enjoys a durable cyclical recovery in 2021, the dollar should continue to fall. This would also bolster the rebound in commodity prices. Commodities of all sorts have been moving sharply higher since the spring, with metals, raw industrials and foodstuffs rallying together for the first time since the 2009-to-2011 period.

Signs of a recovery should continue to reveal themselves as COVID-19 abates and economic activity normalizes. In the meantime, fiscal spending and accommodative central-bank policy should prop up inflation. As the market prices in these developments, "long-duration" growth and expensive high-profitability stocks should be pressured—while momentum investors are likely to rotate into new themes, potentially adding more fuel to this nascent cyclical rally.

Economic Backdrop

Capital markets began the fourth quarter of 2020 at a crossroad: After risk assets capped off the prior quarter with their first monthly loss since rallying in March, a recovery stumbled in mid-October on a global resurgence of COVID-19 cases. However, a sharp early-November advance that coincided with the U.S. presidential election was propelled higher through the end of the calendar year by a series of constructive announcements relating to the effectiveness, approval, and distribution of COVID-19 vaccines.

Emerging-market equities outpaced developed markets for the fourth quarter, pushing their full-year performance ahead. U.K. stocks led major developed markets during the quarter, but ended up with a sizeable loss for the 12-month period. European and Japanese stocks followed the U.K. for the quarter, and both delivered positive returns for the full year; Japan fared much better than Europe in 2020. Meanwhile, U.S. stocks had a comparably modest quarter (albeit with a double-digit gain), but had the top major developed-market performance for the year. Sector-level performance was shaken up during the final three months of the year: Energy and financials both had huge rallies after lagging for most of 2020—making them the top performers by a wide margin during the fourth quarter—but still turned in full-year losses.

U.K. and eurozone government-bond rates declined for the fourth quarter. U.K. rates climbed through October and November before dropping sharply across the yield curve in December. Eurozone rates tumbled across the curve in October, but bounced higher during November and had mixed movements in December—resulting in a steeper overall curve. U.S. Treasury rates generally increased throughout the fourth quarter, with the 10-year Treasury rate rising by more than any other maturity.

The approaching end of 2020 forced a scramble of deal-making on both sides of the Atlantic.

U.S. lawmakers struck a deal for $900 billion toward pandemic economic relief and $1.4 trillion in federal government funding, which President Trump signed on 27 December. The legislation included the following:

- Another round of forgivable small-business loans under the Paycheck Protection Program, with a $284 billion appropriation
- Extended unemployment payments through March 2021 for approximately 12 million Americans that were on the verge of exhausting their benefits, including a $300-per-week supplement to state-level payments
- Sustained eligibility of unemployment benefits for self-employed, contractors and gig workers, as established under the CARES Act in March 2020
- Preservation of eviction protections to the end of January 2021 and an appropriation of $25 billion to rent relief

Also included in the legislation were direct economic-relief payments of $600 per person to Americans in households below an income threshold—a payment figure that prompted Trump to withhold his signature for several days in favour of a $2,000 disbursement that passed the House of Representatives but never materialized in the Senate.

Earlier in December, the outcome of the U.S. presidential election was formalized when state-level electors cast their votes in accordance with the certified results of each state's popular vote, delivering a majority of electoral votes to President-elect Joe Biden. A legal campaign to contest the election results waged by President Trump and his allies was mostly retired at that point, although some Republican members of the U.S. Congress sought to object to the counting of electoral votes in early January as a symbolic gesture.

EU and U.K. negotiators, meanwhile, attained a measure of resolution on Christmas Eve with an agreement governing some terms of their ongoing relationship. The EU-UK Trade and Cooperation Agreement contains many of the top priorities of each party:

- The EU was able to maintain its single market while avoiding a hard border in Ireland, while the U.K. avoided tariffs and quotas on goods traded with the EU.
- The EU agreed to reduce its fishing quota within U.K. waters by 25% over the next five years, which will be followed by annual negotiations.
- Both parties reserved the right to retaliate after judicial review if they believe the other party has tilted the playing field in an anti-competitive manner. The European Court of Justice will not have jurisdiction over trade disagreements.

Trade in services—which includes the financial industry—was not addressed under the scope of the deal, and each party's citizens will be subject to visa restrictions when working or travelling for an extended period in the other party's jurisdiction.

The Regional Comprehensive Economic Partnership (RCEP), a free-trade group composed of 15 Asia-Pacific countries including China, was formalized in mid-November. RCEP nations have a combined population of 2.2 billion people and produce about one-third of global GDP, representing the most expansive free-trade area on the planet.

A sprawling cyberattack against hundreds of organizations—government agencies, corporations and non-government entities—was discovered in December. The targets were centered largely within the U.S., and several agencies of the federal government reported infiltrations dating as far back as March 2020. Solarwinds Orion software, which is designed to support business technology infrastructure, was the main gateway for the hack apparently perpetrated by Russian intelligence services.

Central Banks

- The BoC held its policy rate firm at a historically low 0.25% following its final 2020 meeting on December 9. In its press release, the BoC noted that it will likely remain accommodative to economic growth—with both low rates and asset purchases—until its 2% inflation target is reached, which is not expected to occur until 2023. The first scheduled meeting for 2021 is on January 20.

- The Federal Open Market Committee (FOMC) made no changes at either its early-November or mid-December meetings. The Federal Reserve's (Fed) latest summary of economic projections improved over the prior quarter, with expectations for higher economic growth and lower unemployment in 2021 and thereafter. The U.S. central bank planned to extend four emergency lending facilities that were established in March into the New Year—yet also planned to return $455 billion of unused funding for five other lending facilities to the U.S. Department of the Treasury and shutter the facilities at year end. President-elect Biden named former Fed Chair Janet Yellen as his nominee for U.S. Secretary of the Treasury.

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- The Bank of England's Monetary Policy Committee expanded its quantitative-easing programme at its early-November meeting, committing a fresh £150 billion toward bond purchases for a total of £895 billion. There were no additional policy changes at its mid-December meeting. The Committee's latest quarterly report projected that the U.K. economy would contract by 11% in 2020, a deterioration from the 5.4% contraction estimated a quarter earlier.

- The European Central Bank (ECB) made no new changes to monetary policy at its late-October meeting. The December meeting produced a decision to increase the scale of asset purchases associated with its Pandemic Emergency Purchase Programme (PEPP) by €500 billion for a total of €1.85 trillion. PEPP purchases were also extended through at least early 2022. Additionally, the ECB planned to expand the use of its Pandemic Emergency Longer-Term Refinancing Operations (PELTRO) programme, which is designed to promote bank lending through subsidized loans.

- The Bank of Japan (BOJ) also took no new actions following its late-October and mid-December monetary policy meetings. It will continue to implement all tools associated with its Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control programme. Separately, the BOJ extended its crisis-response program's emergency funding measures by six months.

Economic Data (unless otherwise noted, data sourced to Bloomberg)

- According to Statistics Canada, the rate of inflation (as measured by the change in the Consumer Price Index (CPI)) was up just 0.3% for the month and 1.0% for the year ending November. Excluding gasoline, the annual rate of change was 1.3% as shelter costs were up 1.9%. Producer prices were mixed: the Industrial Product Price Index (IPPI) fell 0.6% in November, while the Raw Materials Price Index (RMPI) was up 0.6%. On a year-over-year basis, the IPPI was flat while the RMPI was down 1.7%, as energy prices were still well below year-ago levels, but the costs of metals and wood were up sharply. The recovery in Canada's labour market stalled as the economy shed 63,000 jobs, 0.3% of the work force, for the first decline in employment since April. Unemployment ticked up 0.1% to 8.6%.

- U.S. manufacturing growth picked up from a moderately healthy pace in October to stronger levels in November and December. U.S. services sector growth started solidly in October before heating up in November and then reverting back to still-strong levels in December. New U.S. jobless claims bottomed in mid-November, then climbed until mid-December before retreating through year end. The overall U.S. economy grew at a 33.4% annualized rate during the third quarter after declining by an annualized 31.4% in the second quarter.

- U.K. manufacturing activity continued to grow at a healthy rate throughout October and November before accelerating in December. The U.K. services sector started the fourth quarter with strong growth that gave way to an outright contraction by November, with activity essentially maintaining pace in December. The overall U.K. economy grew by 16% during the third quarter after falling by 19.8% in the second quarter; the economy shrank by 8.6% year over year through the end of September.

- Growth in eurozone manufacturing activity remained healthy through October and November before strengthening in December. A contraction in the eurozone services sector deepened from October to November, and then moderated during December. The overall eurozone economy grew by 12.5% during the third quarter after declining by 11.8% in the second quarter; the economy had shrunk by 4.3% year over year through the end of the third quarter.

Market Impact (Referenced Index Returns are in CAD)

Global equities rallied into the end of the year, led by emerging markets and smaller companies. Many equity indexes ended the period at or near all-time highs. In domestic equities, the pace of technology gains slowed dramatically, allowing healthcare, consumer discretionary, financials and energy to take the lead for the quarter. Despite this apparent changing of the guard, technology stocks still produced massive gains in 2020. Consumer staples and materials were the only sectors to decline during the quarter. Other developed countries such as the U.K., Japan and U.S. also notched strong gains to close out the year.

Fixed-income markets also ended the year on a positive note. Real-return bonds benefited from the hope that vaccines may soon allow economies to return to normal, contributing to potentially higher inflation. Corporate debt and residential mortgages outperformed government bonds as investors were willing to take on more risk. U.S. high-yield bonds finished on a high note, aided by steadily rising oil prices.

Index Data (Q4 2020)

- The S&P/TSX Composite Index gained 8.97%.
- The FTSE Canada Universe Bond Index returned 0.63%.
- The S&P 500 Index, which measures U.S. equities, rose 6.96%.
- The MSCI ACWI (Net) Index, used to gauge global equity performance, returned 9.38%.
- The ICE BofA U.S. High Yield Constrained Index, representing U.S. high-yield bond markets, returned 6.27% (currency hedged) and 1.55% (unhedged).
- The Chicago Board Options Exchange Volatility Index, a measure of implied volatility in the S&P 500 Index that is also known as the “fear index,” spiked above 40 in late October, but overall declined from 26.37 to 22.75 by the end of the quarter.
- WTI Cushing crude-oil prices, a key indicator of movements in the oil market, rose in a fairly steady manner from US$40.22 to US$48.52 a barrel.
- The Canadian dollar strengthened notably to C$1.27 per U.S. dollar. The U.S. dollar was generally weaker versus other major currencies, ending December at US$1.37 versus sterling, US$1.22 against the euro and at 103.25 yen.

Index Definitions

The **ICE BofA U.S. High Yield Constrained Index** is a market-value weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Its securities have maturities of one year or more and a credit rating lower than BBB-/Baa3 but are not in default.

The **FTSE Canada Universe Bond Index** is the broadest and most widely used measure of performance of marketable government and corporate bonds outstanding in the Canadian market. FTSE Canada has been in the business of providing the benchmark performance standards for Canadian fixed income investments since 1947.

The **MSCI ACWI Index** is a market-capitalization-weighted index composed of over 2,000 companies, and is representative of the market structure of 48 developed and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The index is calculated with net dividends reinvested in U.S. dollars.

The **MSCI Canada Index** is designed to measure the performance of the large- and mid-cap segments of the Canadian market. With 88 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging-market equities.

The **MSCI Europe ex UK Index** is a free float-adjusted market-capitalization-weighted index designed to measure the performance of large- and mid-capitalization stocks across developed-market countries in Europe, excluding the U.K.

The **MSCI Frontier Emerging Markets (FEM) Index** captures large- and mid-cap representation across 34 frontier and emerging-markets countries. The Index covers about 85% of the free float-adjusted market capitalization in each country.

The **MSCI United Kingdom Index** is a free float-adjusted market-capitalization-weighted index designed to measure the performance of large- and mid-capitalization stocks in the U.K.

The **MSCI USA Index** measures the performance of the large- and mid-cap segments of the U.S. market. The Index covers approximately 85% of the free float-adjusted market capitalization in the U.S.

The **S&P 500® Index** is an unmanaged, market-weighted index that consists of 500 of the largest publicly traded U.S. companies and is considered representative of the broad U.S. stock market.

The **S&P/TSX Composite** is the headline index for the Canadian equity market. It is the broadest in the S&P/TSX family and is the basis for multiple sub-indices including but not limited to equity indices, Income Trust Indices, Capped Indices, GICS Indices and market cap based indices.

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