



August 2020 Monthly Summary

We hope your summer has been enjoyable and that the reduction in restrictions facing everyone in Canada is providing you with the opportunity to enjoy the outdoors.

In this summary we discuss the benefit of using Letters of Wishes and Discretionary Trusts, as well as a general overview of the global markets over the past month.

Letter of Wishes for Wills and Discretionary Trusts

Sometimes the trustee of a discretionary trust or executor of a Will needs additional guidance on the extent of their discretion or additional instructions to effectively administer an estate.

The article, [Letter of Wishes for Wills and Discretionary Trusts](#), explains the role that a “Letter of Wishes” or “Preparatory Memorandum” can play in providing guidance to the executor of a Will or trustee of a discretionary trust.

August Market Recap: Big Tech Leads Stock Market Higher; U.S. Dollar Notches Worst Month in a Decade

North American stocks diverged from their global peers last month, as surging technology shares drove the Nasdaq to new all-time highs. The S&P 500 and TSX weren't far behind, rallying 4.5% and 3.7%, respectively.

Globally, investor sentiment was far more subdued, with European, Japanese and Hong Kong markets declining.



U.S., Canadian Stocks Rally

North American equity markets flipped green in July, thanks to strong tech-sector earnings, vaccine optimism, and improving economic data. Better than expected quarterly results from Big Tech—including Apple, Amazon, and Facebook—rounded out a strong month for the major indexes.¹

The technology-heavy Nasdaq Composite Index set a string of all-time highs, eventually peaking at a record close of 10,767.09 on July 20. For the month, the Nasdaq rallied 5.3%. The Dow Jones Industrial Average was the weakest of the major Wall Street indexes, but it too rallied 2.3% in July.

Canada's TSX Composite Index rose 3.7% to pare its yearly losses to 5.2%.

With the exception of mainland Chinese markets, global stock prices finished lower last month. The Euro Stoxx 50 Pr declined 3.6%, the Nikkei 225 fell 2.7% and the Hang Seng closed down 3.1%.

U.S. Dollar Tumbles to Multi-Year Lows

The U.S. dollar's sudden U-turn this summer may have added fuel to the stock-market rebound.² The combined forces of U.S. government spending, ballooning budget deficits, and Federal Reserve stimulus have weakened the greenback relative to other currencies.

At least one measure of the greenback's performance—the ICE U.S. Dollar Index—posted its worst month in almost a decade. It ended the month at its lowest level since June 2018.³

There were no changes on the monetary policy front, as the Federal Reserve remains committed to keeping interest rates near zero. A second round of stimulus checks to U.S. citizens was confirmed in a recently revealed Senate plan, but a deal remains elusive. As a result, the \$600 weekly unemployment benefit ended on July 31.⁴

Gold Surges to Record Highs in U.S. Dollars

July was a historic month for gold, as the precious commodity topped \$2,000 an ounce for the first time in history. A worsening macroeconomic environment, simmering U.S.-China tensions, and an ongoing public health crisis have made precious metals more attractive to investors.

Gold for December settlement, the most actively traded futures contract, peaked at \$2,005.40, a troy ounce on the Comex division of the New York Mercantile Exchange. The futures contract finished the month at \$1,985.90, having gained 7.4%.

Although gold's rally appeared sudden, the yellow metal is in a multi-year bull market, having reached record highs in dozens of currencies before the dollar.⁵

The Month Ahead

The stock market's biggest obstacle remains the Covid-19 pandemic. Although U.S. economic data showed signs of improvement in June, the world's largest economy posted its biggest quarterly contraction on record.⁶ Jobless claims are on the rise again following four months of steady declines.

By the end of July, there were more than 17 million confirmed Covid-19 cases worldwide, including more than 4.5 million in the United States.⁷ The pandemic is expected to enter its second wave by the autumn, which could complicate economic reopening plans.

As always, if you have any questions regarding this summary or your portfolio, please call us.

Sincerely,

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¹ Sergei Klebnikov (July 31, 2020) “Stocks Turn Positive, Dow Jumps 100 Points After Big Tech Earnings Beat Expectations.” Forbes

² Amrith Ramkumar (August 2, 2020). “Behind the Vast Market Rally: A Tumbling Dollar.” The Wall Street Journal

³ Caitlin Ostrof (July 27, 2020). “Dollar on Course for Worst Month in Almost a Decade.” The Wall Street Journal

⁴ Christal Hayes and Courtney Subramanian (July 31, 2020). “Congress leaves town without a coronavirus stimulus deal, allowing \$600 unemployment benefit to end.” USA Today

⁵ Erik Els (August 2, 2019). “Gold price surges to record high in 73 currencies.” Mining.com

⁶ Anneken Tappe (July 31, 2020). “US economy posts its worst drop on record.” CNN

⁷ Johns Hopkins University.

