



## September 2020 Monthly Summary

North American stocks just wrapped up their fifth consecutive monthly gain, as the major indexes completed their comeback from March's lows.<sup>1</sup> Two major U.S. indexes reached record highs, while Canada's benchmark TSX Composite climbed to its highest level since the start of 2020.

### North American Stocks Surge

Wall Street is coming off another record-breaking month, with the S&P 500 and Dow recording their best August in 36 years.<sup>2</sup> The Dow finished the month with a gain of 7.6%, the S&P 500 climbed 7% and the Nasdaq Composite Index finished 9.6% higher.

The S&P 500 and Nasdaq set multiple record highs during the month as technology stocks continued to outperform. The S&P 500's information technology index rose 15% in August and is up over 55% in the last 12 months.<sup>3</sup>

Despite falling 1.2% on Aug. 31, Canada's benchmark TSX Composite Index finished in positive territory for the month.

### Apple Stock Split Triggers Major Shake-Up in the Dow

The Dow underwent a historic shake-up on Aug. 31, as the index dropped Exxon Mobil, Pfizer and Raytheon Technologies for Salesforce.com, Amgen and Honeywell International.

The move was triggered by Apple's four-for-one stock split, which reduced the Dow's tech-sector representation.<sup>4</sup>

Apple is now the 17<sup>th</sup> largest Dow component by weight. UnitedHealth Group is the largest, followed by Home Depot and Salesforce.com.<sup>5</sup>



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## The Federal Reserve’s Historic Shift

Federal Reserve Chairman Jerome Powell announced a major policy shift at this year’s Jackson Hole Symposium. In a prepared speech, Powell said the U.S. central bank would pursue “average inflation targeting” of 2% in support of economic growth and employment.

The move signals the Fed’s preparedness to let inflation overshoot the standard 2% target in pursuit of broader macroeconomic objectives. This means policymakers will be inclined to keep interest rates low for the foreseeable future.<sup>6</sup>

The Fed has been highly active this year by reducing interest rates and expanding its balance sheet amid the pandemic. The U.S. economy contracted at a record 31.7% annual pace in the second quarter.<sup>7</sup>

## U.S. Dollar Sinks to Two-Year Low

August was another volatile month for the U.S. dollar, as investors continued to sell the greenback on rising inflation expectations and stronger growth prospects outside the United States.

The dollar index has once again broken below 92.00, reaching its lowest level in around two years. In August, the greenback fell 2.8% against the Canadian dollar. It was also down against the euro and British pound.

## The Month Ahead

September is historically the most difficult month for stocks, with the Dow losing 1% on average going back 50 years.<sup>8</sup>

A measure of implied volatility known as the CBOE VIX is also on the rise. VIX ended August at more than one-month highs and its October futures contract suggests more volatility is in store heading into the U.S. presidential elections.<sup>9</sup>

Sincerely,

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<sup>1</sup>The Canadian Press (August 31, 2020). "North American stock markets rise for fifth straight month in August." Yahoo Finance

<sup>2</sup>Mark DeCambre and Joy Wiltermuth (August 31, 2020). "Dow, S&P 500 end lower, but book best August in 36 years. Nasdaq clinches another record." MarketWatch

<sup>3</sup>Fidelity. Sectors & Industries Overview.

<sup>4</sup>Suzanne O'Halloran (August 24, 2020). "Apple stock split prompts Dow shake-up." Fox Business.

<sup>5</sup>Indexarb.com. Index Component Weights of Stocks in the Dow Jones Industrial Average.

<sup>6</sup>Jeff Cox (August 27, 2020). "Powell announces new Fed approach to inflation that could keep rates lower for longer." CNBC

<sup>7</sup>Terri Cullen (August 27, 2020). "Second-quarter GDP plunged by worst-ever 31.7% as economy went into lockdown." CNBC

<sup>8</sup>Anne Sraders (September 4, 2019). "September Is Historically the Worst Month of the Year for Stocks. Will 2019 Be Any Different?" Fortune

<sup>9</sup>Vixcentral.com



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