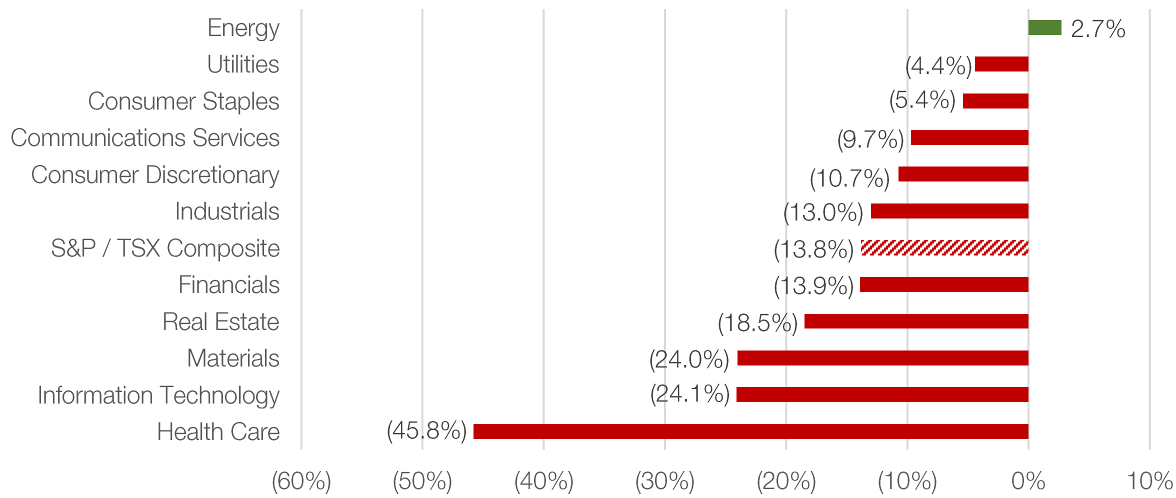
Q2 2022: Recession fears hit the TSX Composite

Health Care, Information Technology and Materials each lose more than 20% in Q2

Q2 2022 Capped Sector Performance



Q2 2022 Highlights

- The S&P/TSX Composite returned -13.8% in Q2. Year-to-date the index returned -11.1%
- Of the 245 stocks that were in the TSX Composite at some point during Q2, 32 (13%) recorded a gain.
- For Q2, large caps (S&P/TSX 60) performed best followed by mid-capitalization (S&P/TSX Completion) with small caps (S&P/TSX SmallCap) in the rear.
- In Q2, the Canadian market outperformed the US market in home currency terms (US returned -16.4%) and was even with the US market in Canadian dollar terms (US market returned -13.8% in C$ terms).
- Energy was the only positive sector in Q2 and supplied the three leading contributors to the overall market. YTD, the Energy sector is up +39.8%.
- Health Care was the worst performing sector, losing nearly half its value during Q2, though it is a tiny sector so had little impact on the performance of the overall TSX Composite.
- Information Technology and Materials were the second and third worst performing sectors, respectively. A major decline in Shopify drove losses for the IT sector while Materials suffered from broad-based declines in non-energy commodity prices.

2022 Index Returns	Q2	YTD
S&P/TSX Composite	**-13.8%**	**-11.1%**
S&P/TSX 60 (Large Cap)	-13.3%	-10.9%
S&P/TSX Completion (Mid Cap)	-15.9%	-12.0%
S&P/TSX SmallCap	-21.2%	-15.0%

Q2 Biggest Contributors	Q2 Biggest Detractors
Cenovus Energy	Shopify
Suncor Energy	Toronto-Dominion Bank
Tourmaline Oil	Brookfield Asset Management
Loblaw Companies	Royal Bank of Canada
Ritchie Bros. Auctioneers	Bank of Nova Scotia
Dollarama	Canadian National Railway
CCL Industries	Bank of Montreal
LifeWorks	Nutrien
CGI Inc	Barrick Gold
Hydro One	First Quantum Minerals

Sector	Q2 Returns	Biggest Impacts
Energy 18% of S&P/TSX Composite	+2.7%	• Producers and integrateds Cenovus Energy (+18%), Suncor Energy (+11%), and Tourmaline Oil (+16%), ranked first through third, respectively, among contributors from the sector on a 6% increase in the S&P GSCI Energy commodity price index. Not all producers were positive though as Canadian Natural Resources (-11%) was the top detractor from the sector in Q2. • Pipeline companies Enbridge (-6%) and TC Energy (-5%) ranked second and third among detractors from the sector, as higher interest rates offered competition to these high dividend yielding stocks. • Cameco Corporation (-26%) ranked fourth among detractors from the sector as uranium prices fell.
Utilities 5% of S&P/TSX Composite	-4.4%	• Brookfield Infrastructure Partners (-11%), Brookfield Renewable Energy Partners (-13%), Algonquin Power & Utilities (-11%) and Northland Power (-8%) ranked first through fourth, respectively, among sector detractors as higher interest rates weighed on these high dividend, high P/E ratio stocks.
Consumer Staples 4% of S&P/TSX Composite	-5.4%	• Alimentation Couche-Tard (-11%) led sector detractors despite delivering better-than-expected quarterly earnings. • Loblaw Companies (+3%) led sector contributors as it was likely seen as less vulnerable to recession.
Communications Services 5% of S&P/TSX Composite	-9.7%	• BCE (-9%) and TELUS (-12%) led sector detractors as the traditionally high dividend-yielding sector showed weakness as interest rates rose on competing fixed income investments. • Rogers Communications (-13%) ranked third among sector detractors on news that the Canadian Commissioner of Competition intended to file applications to the Competition Tribunal opposing Rogers' proposed merger with Shaw, meaning the telco giants may face a protracted court battle.
Consumer Discretionary 3% of S&P/TSX Composite	-10.7%	• Magna International (-12%), Restaurant Brands International (-12%), Gildan Activewear (-21%), Canadian Tire (-14%) and Aritzia (-32%) ranked first through fifth among sector detractors, respectively, as recession fears and declining consumer sentiment hit stocks dependent upon continued strong consumer spending.
Industrials 12% of S&P/TSX Composite	-13.0%	• Transportation companies Canadian National Railway (-14%), Canadian Pacific Railway (-13%), Air Canada (-34%) and TFI International (-22%) ranked first, second, fourth and fifth, respectively, among sector detractors on concerns about potential demand destruction from a possible recession and higher fuel and labour costs. Air Canada curtailed its summer schedule due to capacity constraints. • Environmental services firms Waste Connections (-9%) and GFL Environmental (-18%) ranked third and sixth among sector detractors on concerns about margin pressures from rising costs.
Financials 32% of S&P/TSX Composite	-13.9%	• Big banks led detractors from the sector on fears that a potential recession would negatively impact bank profits in the year ahead. Toronto-Dominion Bank (-15%), Royal Bank (-9%), Bank of Nova Scotia (-15%), Bank of Montreal (-16%) and CIBC (-18%) ranked first, third, fourth, fifth and sixth, respectively, among sector detractors. • Brookfield Asset Management (-19%) was the second leading sector detractor in Q2. • Life insurers Manulife Financial (-16%), Sun Life Financial (-16%) and Great-West Lifeco (-15%) ranked seventh, eighth and ninth, respectively, among detractors from the sector in Q2.
Real Estate 3% of S&P/TSX Composite	-18.5%	• Every stock in the sector declined in Q2 as rising fixed income interest rates provided an alternative to these traditionally income-providing investments. Tricon Residential (-34%), Allied Properties REIT (-29%), Riocan REIT (-21%) and Canadian Apartment Properties REIT (-16%) led sector detractors.
Materials 12% of S&P/TSX Composite	-24.0%	• Nutrien (-21%) led sector detractors as the S&P GSCI Agriculture commodity index fell 12% in Q2. • An 8% decline in gold prices in Q2 caused gold and precious metals miners Barrick Gold (-26%), Agnico-Eagle Mines (-23%), Wheaton Precious Metals (-22%) and Franco-Nevada Corporation (-15%) to rank second, fourth, fifth and seventh, respectively, among Q2 sector detractors. • First Quantum Minerals (-44%), Teck Resources (-22%) and Ivanhoe Mines (-36%) ranked third, sixth and eighth among detractors as the S&P GSCI Industrial Metals commodity price index fell 25%.
Information Technology 5% of S&P/TSX Composite	-24.1%	• Shopify (-52%) led TSX detractors as it delivered quarterly earnings and revenues that missed analyst expectations. The stock, which started the year as Canada's largest company by market capitalization, is down 77% year-to-date and is no longer in the top ten companies by that metric. • Constellation Software (-11%) and Nuvei Corporation (-51%) ranked second and third, respectively, among Q2 sector detractors.
Health Care <1% of S&P/TSX Composite	-45.8%	• Bausch Health Companies (-62%) led sector detractors as quarterly earnings came in 27% below analyst estimates and it guided 2022 revenues to a level about 2-4% below prior analyst expectations. • Tilray Brands (-59%) and Canopy Growth Corp (-61%) ranked second and third among sector detractors as progress on proposed US legislation that would serve to decriminalize cannabis stalled in Congress, weighing on cannabis stocks in Q2.