PRIVATE CLIENT SOLUTIONS

Portfolio Strategy

The Changing Seasons – Summer to Fall, but Not Yet Winter

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Table of Contents

Key Takeaways

Our View

- The global economic climate has changed quite dramatically since the beginning of the year and runs in stark contrast to the glory days of 2021. But as a reminder, the change or better yet, the evolution in the economic cycle is quite similar to the changing seasons. This includes the transition from the hot days of summer to the cooler days of fall with the eventual arrival of the frigid winters here in the north.
- Likewise, economic cycles tend to evolve through their own 4 distinct phases/seasons including early-cycle, mid-cycle, late-cycle and recession. These transitions typically coincide with changes in several factors with the most important being the changes in the shape of the yield curve.
- In the subsequent pages, we conduct a weather check of the U.S. and Canadian economies by analyzing the evolution of several leading, coincident, and lagging economic indicators. We also compare these readings to those we observed at the beginning of the past few recessions. In addition, we provide our top-down U.S./Canadian equity style and sector recommendations for the S&P 1500 and S&P/TSX indices.
- **Finally, while we believe winter is coming, it is definitely not here YET, so enjoy the beauty of the fall colours and the cooler temperatures, and remember to buy low and sell high!**

Key Takeaways (Cont’d)

- **Leading Indicators Provide Insights on Tomorrow’s Weather:** The single most important leading economic indicator that we monitor is the shape of the yield curve, in particular, yield spreads – the difference between 10-year government yields (“10yr”) vs. 2-year yields (“2yr”) and 3-month yields (“3mth”). Preceding most if not all of the past recessions in the U.S. and Canada, we have seen yield spreads turn negative. Beyond this, we have seen several other important leading indicators also signal a recession/suggest a more broad-based weakening in the overall economy. Currently, ~2/5 of these indicators are signalling a recession is on the horizon/recessionary conditions are present in the U.S./Canada. That said, many of these measures are weakening quickly.

- **Coincident Indicators Tell Us What the Weather Is Today, While Lagging Tell Us What It Was:** 3/3 coincident indicators we are watching are signalling recessionary conditions in the U.S., with only 1/3 suggesting recessionary conditions are present in Canada. Meanwhile, 1/3 of the lagging indicators we are watching are signalling recessionary conditions are present today in the U.S./Canada.

- **So How Are We Looking, Should We Replace the T-Shirt with a Parka?** From an investment style perspective, we see the most attractive risk/reward characteristics across the U.S./Canadian Mid-Cap space. From a sector perspective, on the S&P 1500 index, we see the most attractive opportunities within the Energy, Materials, Financials, and Communication Services sectors, while on the S&P/TSX, we still see good value across the Energy, Materials, and Financials sectors. Remain selective, focus on high-quality, durable cash flow and earning businesses. **Leverage the accompanying screens to find quality equity ideas on the S&P 1500 and S&P/TSX indices.**

Our Recession Monitor … Nope Not There Yet

Indicator	Recession Signals	Dot-com Bubble (03/2001 - 11/2001)	Financial Crisis (12/2007 - 06/2009)	COVID-19 Pandemic (02/2020 - 04/2020)	Year End - 2021 U.S. & Canada	Current (U.S.)	Current (Canada)	Comments
Leading Indicators								
10yr-2yr Spread	10yr-2yr yield curve has inverted prior to every recession (i.e., the spread has turned negative)	✓	✓	✓	✗	✓	✓	The 10yr-2yr curve has inverted with the negative yield spread widening since the beginning of the year
Leading Economic Index (LEI)	The YoY change in the LEI has turned negative prior to every recession	✓	✓	✓	✗	**Still positive but weakening towards "0"**	**N/A**	The LEI has yet to signal an imminent recession, but the 10 components that make up this index have declined sharply since the beginning of the year
Consumer Confidence Index	Consumer confidence has collapsed before every recession in the U.S., & similarly prior to most recessions in Canada	✓	✓	✓	✓	✓	✓	Consumer confidence in the U.S. has fallen below its 35yr average; Consumer confidence in Canada has collapsed towards levels not observed since the 2008 Financial Crisis
Initial Claims for Unemployment Insurance	The number of initial claims typically reaches an inflection point (i.e., troughs) and begins to rise prior to a recession	✓	✓	✓	✗	✗	✗	The number of initial claims has fallen to the lowest level since May in the U.S., while the same measure has remained steady in Canada
Purchasing Manager Index (PMI)	PMIs, which measure the level of economic activity of the economy tends to fall below 50 into a contraction territory before a recession (> 50 = expansion; < 50 = contraction)	✓	✓	✓	✗	**falling towards "50"**	✗	The U.S. manufacturing and service sector continues to expand, but at a slowing pace. Canada's PMI readings have remained volatile with the July reading falling into contraction territory (< 50) while the August print bounced back into expansion territory (>50) to 60.9
Coincident Indicators								
Real GDP Growth	Real GDP growth has declined for at least two consecutive periods (QoQ/MoM) during every recession	✓	✓	✓	✗	✓	✗	Real GDP in the U.S. has declined for two consecutive quarters, while Canada's GDP has remained positive
Disposable Personal Income	The U.S. disposable income level tends to decline prior to entering a recession and falls further during a recession	✓	✓	✓	✗	✓	✗	U.S. disposable personal income has declined from peak levels in 2021, but has steadily risen in Canada
Savings Rates	Savings rates tend to decrease prior to a recessions and increase during a recessions	✓	✓	✓	✓	✓	✓	The personal savings rate in the U.S. has dipped below pre-pandemic levels (i.e., Q4/2019). Similarly, household savings rates have declined in Canada, but still above pre-pandemic levels
Lagging Indicators								
CPI	Inflation typical peaks before/during a recession	✓	✓	✓	✗	**Maybe**	**Maybe**	The YoY change in CPI has shown some signs of peaking, but underlying inflationary pressures remain very strong and volatile
Financial Conditions Index	Financial conditions tend to tightening aggressively and reach a peak prior to a recession	✓	✓	✓	✓	✓	✓	Financial condition have tightened meaningfully over the past year
Corporate Profits	The YoY growth in profits typically turns negative prior to every recession	✓	✓	✓	✗	✗	✗	Earnings growth is still in positive territory
Unemployment Rate	The unemployment rate signals a recession when the 3-month moving average rises 0.5% or more versus the prior 12-month low	✓	✓	✓	✗	✗	✗	The unemployment rate of both the U.S. and Canada remain at a historical lows

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Leading Economic Indicators

A leading indicator is any measurable or observable variable of interest that predicts a change in the economy before it occurs.

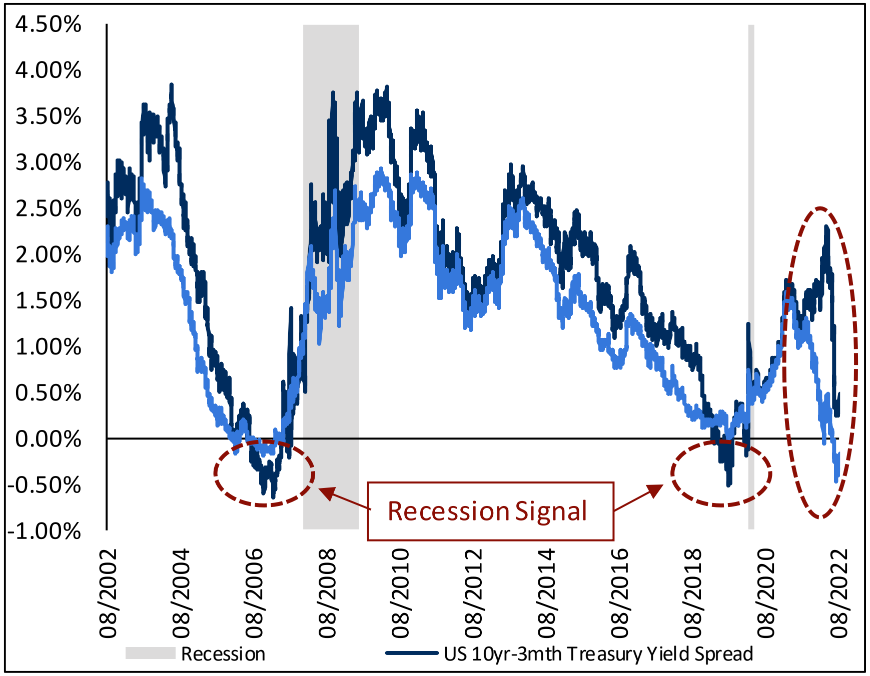
Discussed Below:

- *10yr-2yr Yield Spread and 10yr-3mth Yield Spread*
- *Leading Economic Index (LEI)*
- *Consumer Confidence Index*
- *Initial Claims for Unemployment Insurance*
- *Purchasing Managers' Index (PMI)*

Yield Curves Sending Recession Signals

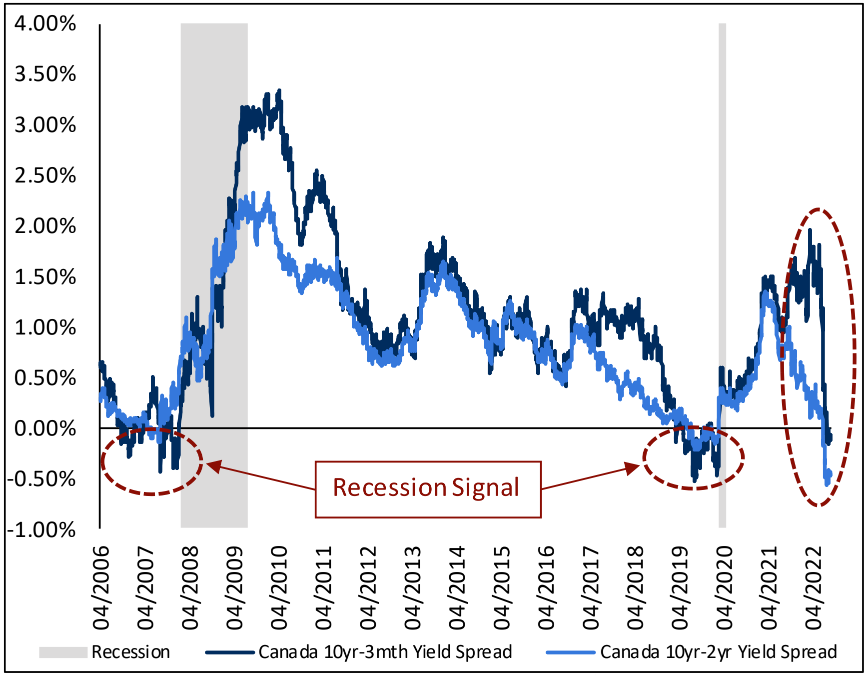
The 10yr-3mth yield curve has flattened in both the U.S. and Canada, while the degree of inversion of both curves have increased during the past month.

U.S. Yield Curve Inversion Sending Recession Signals



Source: FactSet; Raymond James Ltd.; Data as of 08/31/2022.

Canadian Yield Curve Inversion "Worse" Than in the U.S.

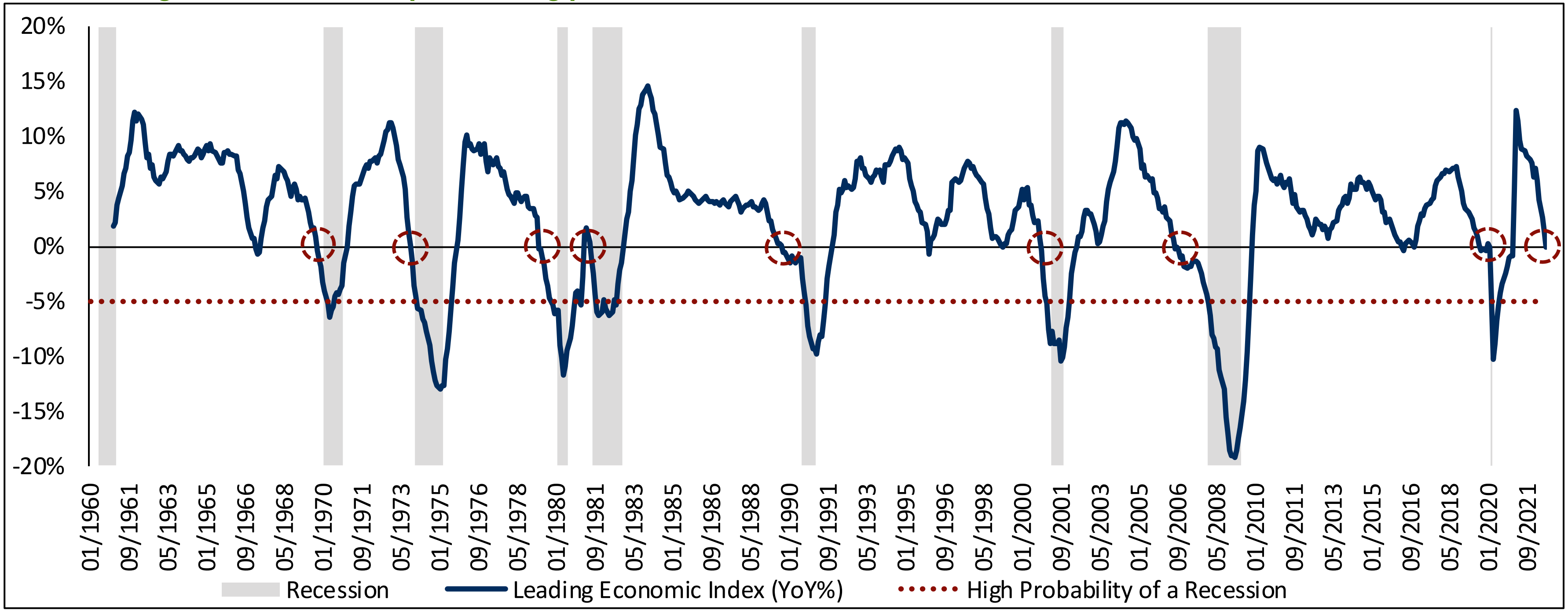


Source: FactSet; Raymond James Ltd.; Data as of 08/31/2022.

Leading Economic Index Has Weakened Materially

The YoY change in the Leading Economic Index has yet to signal an imminent recession, but it has weakened materially YTD. Historically, there is a high likelihood of an "imminent" recession when the index dips below -5% YoY (currently at ~0% YoY, but falling).

U.S. Leading Economic Index (YoY % Chg.)

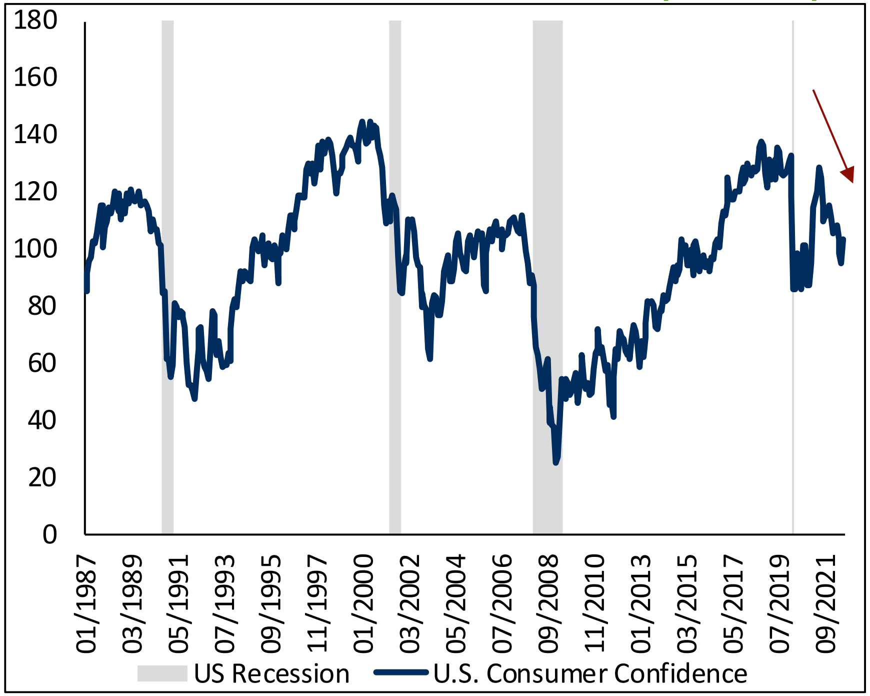


Source: FactSet; Raymond James Ltd.; Data as of 07/31/2022.

Consumer Confidence Has Fallen Considerably

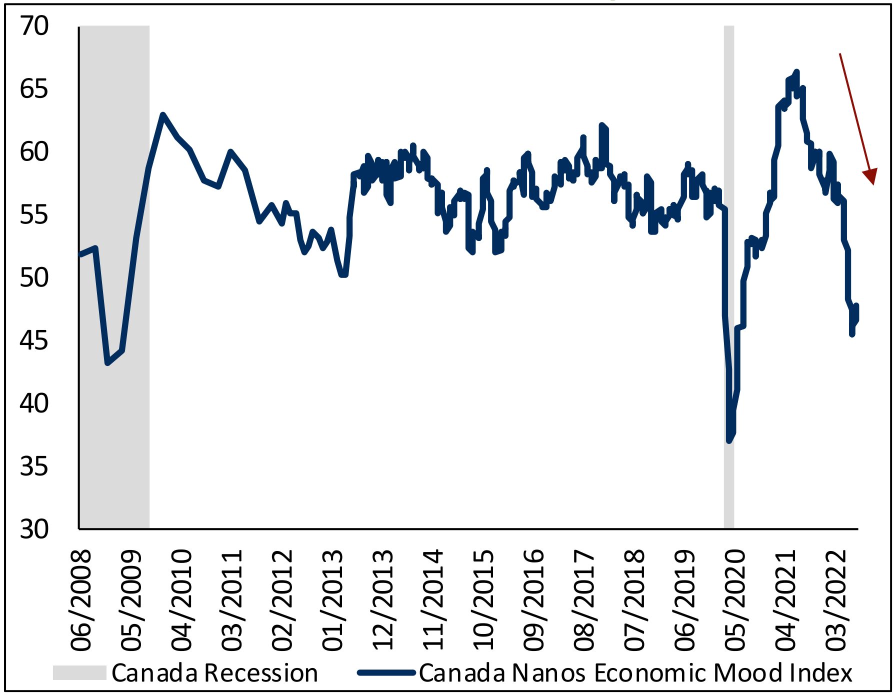
Consumer confidence – as it relates to the current economic climate, personal finances, and short-term employment outlook – has fallen as elevated inflation levels have weighed on confidence levels.

U.S. Consumer Confidence Has Weakened (1985=100)



Source: FactSet; Raymond James Ltd.; Data as of 08/31/2022.

Canada Consumer Sentiment Has Collapsed



Source: Bloomberg; FactSet; Raymond James Ltd.; Data as of 08/19/2022.

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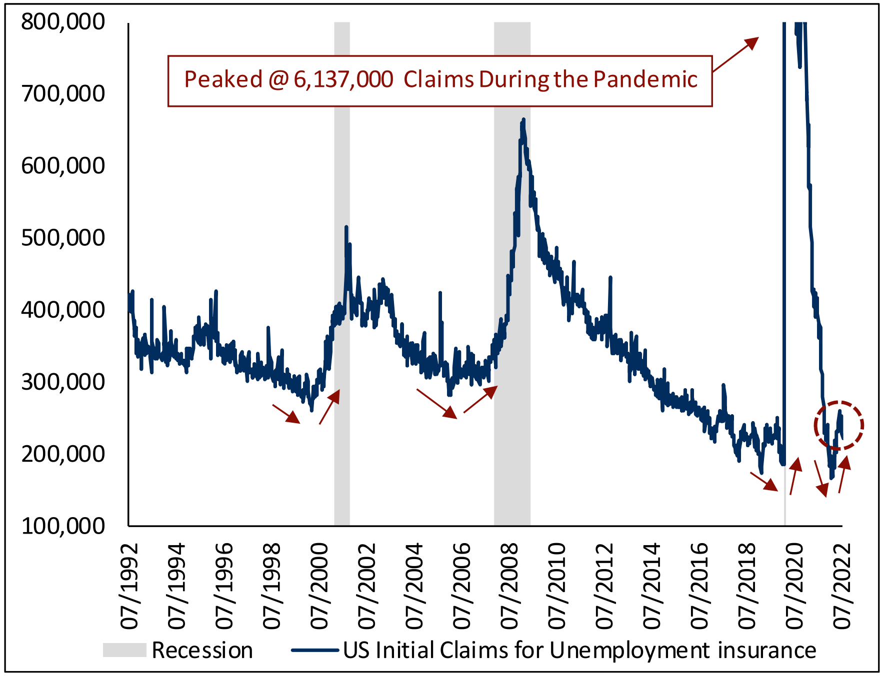
Unemployment Claims Not Yet Signalling Recession

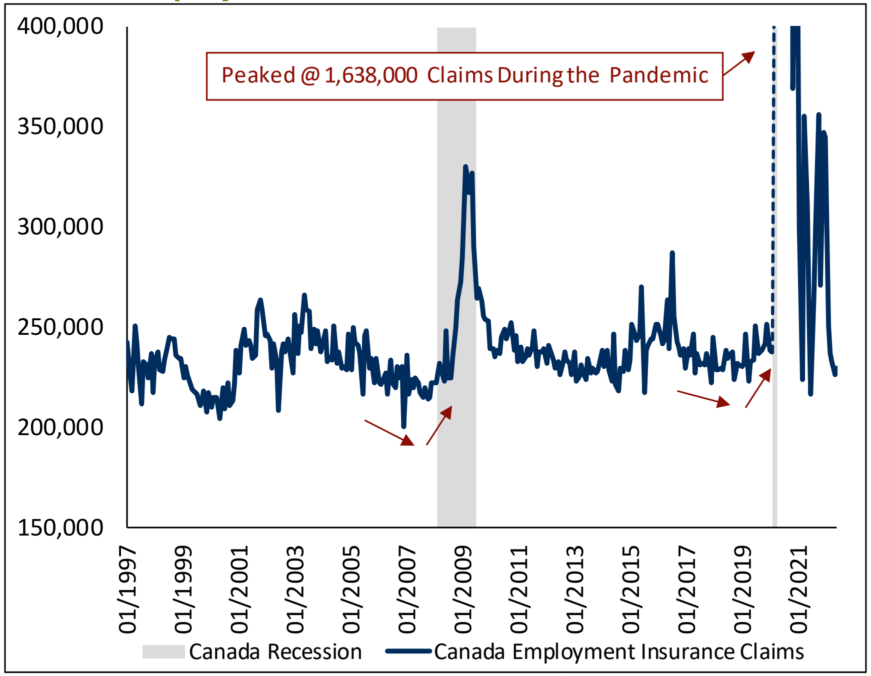
Although U.S. initial claims hit an 8-month high in July, the number has fallen to the lowest level since May. In contrast to this, in Canada the number of initial claims has yet to pivot higher – this historically has been an early warning sign indicating that a recession was on the horizon.

U.S. Initial Claims for Unemployment Insurance



Source: FactSet; Raymond James Ltd.; Data as of 09/02/2022.

Canada Employment Insurance Claims

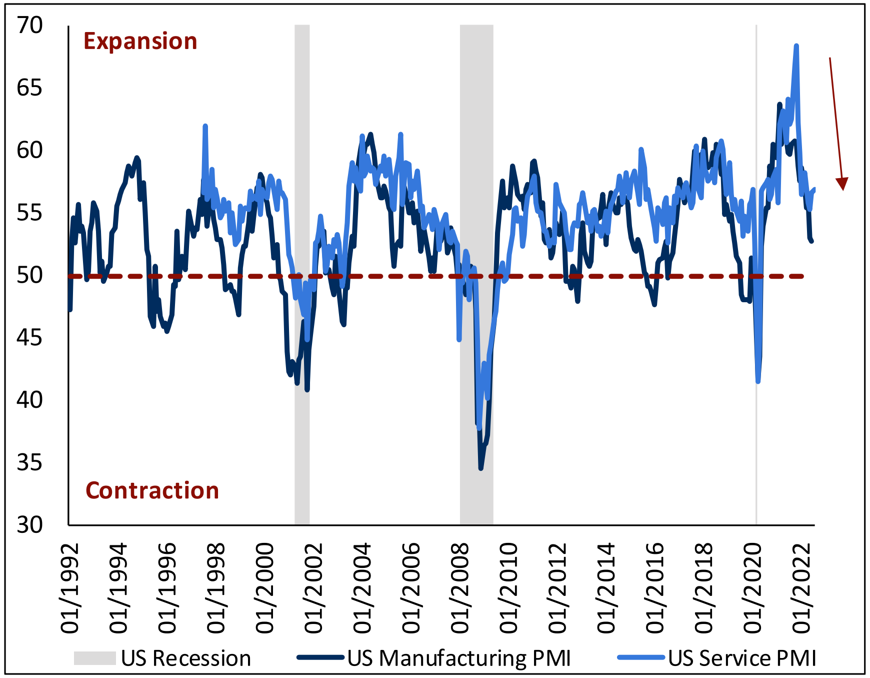


Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

Economic Activity Has Slowed Meaningfully

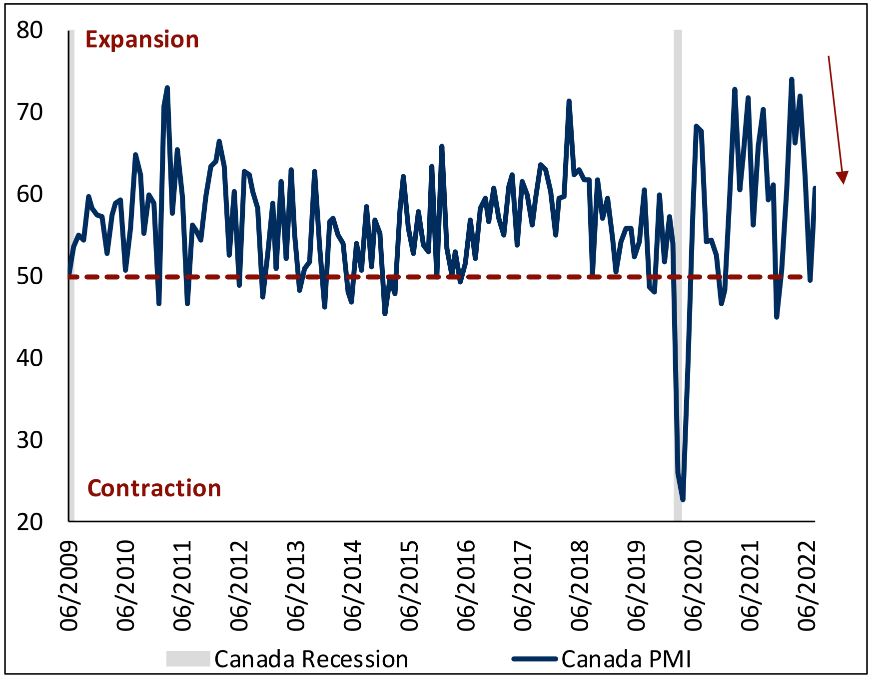
The U.S. manufacturing and service sectors still remain in expansion territory in the U.S., but activity has slowed materially. Meanwhile, Canada's latest PMI readings have stayed quite volatile, bouncing into and out of contraction territory.

U.S. Purchasing Managers' Index Still in Expansion



Source: FactSet; Raymond James Ltd.; Data as of 08/31/2022.

Canada Purchasing Managers' Index Remains Volatile



Source: FactSet; Raymond James Ltd.; Data as of 08/31/2022.

Coincident Economic Indicators

A coincident indicator is an economic statistical indicator that changes (more or less) simultaneously with general economic conditions and therefore reflects the current status of the economy.

Discussed Below:

- *Real GDP Growth Rate*
- *Disposable Personal Income*
- *Savings Rates*

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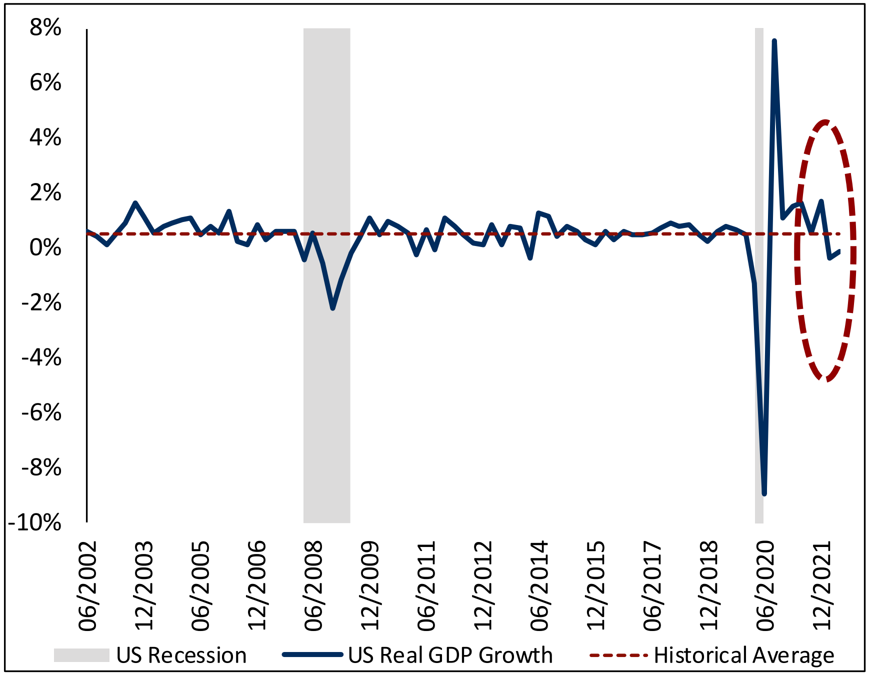
Real GDP Growth Has Fallen from the Peak

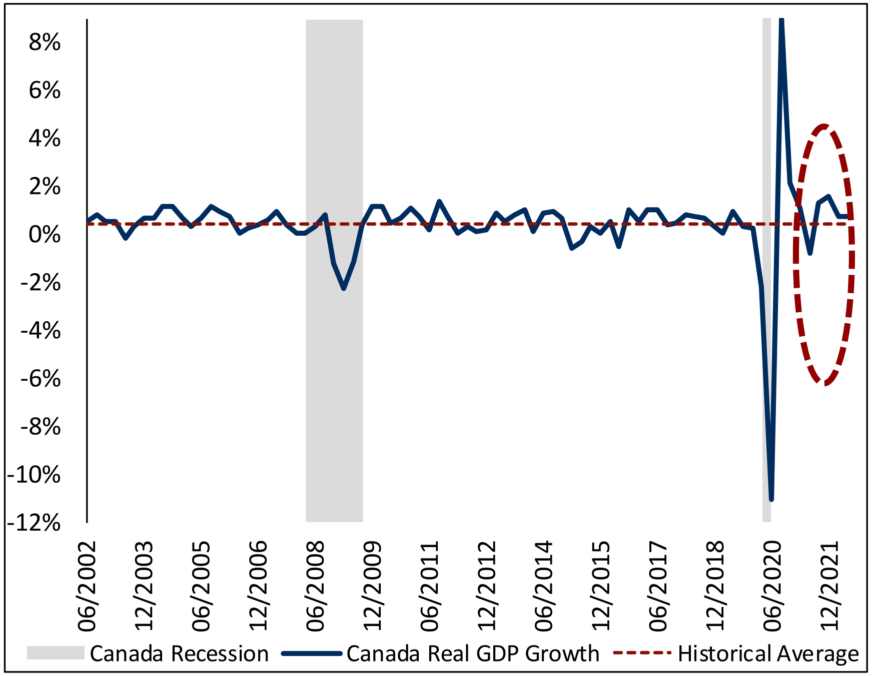
Aggressive rate increases and supply chain challenges have caused U.S. real GDP growth to decline for two consecutive quarters – a technical recession? Meanwhile, Canada's Q1/Q2 GDP has stayed positive, but aggressive rate increases are likely to slow Canadian real GDP growth down further into 2023.

A "Technical" Recession In the U.S. (QoQ % chg.)



Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

Canadian GDP Still Positive but Slowing (QoQ % chg.)



Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

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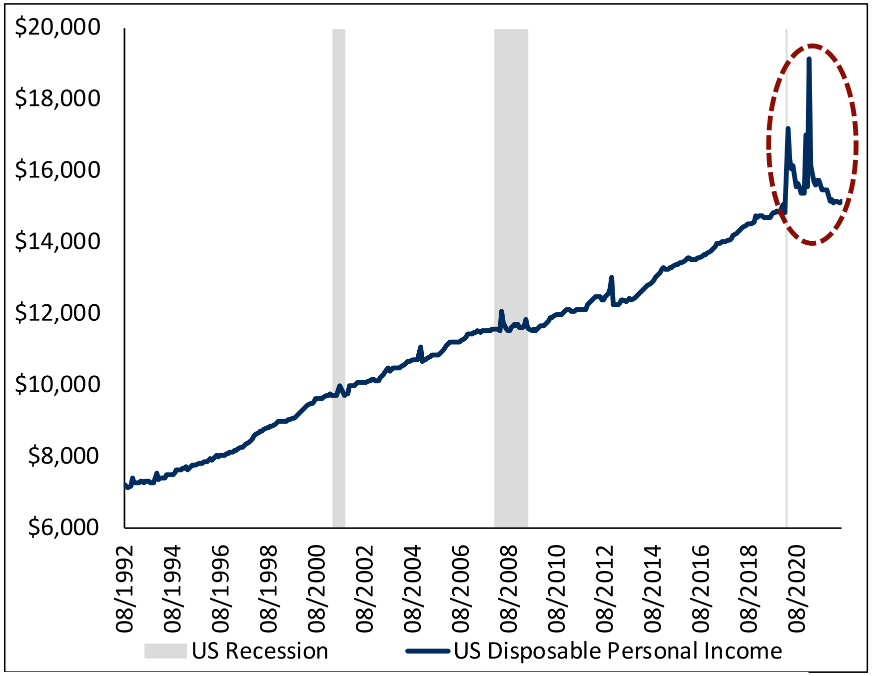
U.S. Disposable Income Down, Canada's Still Rising

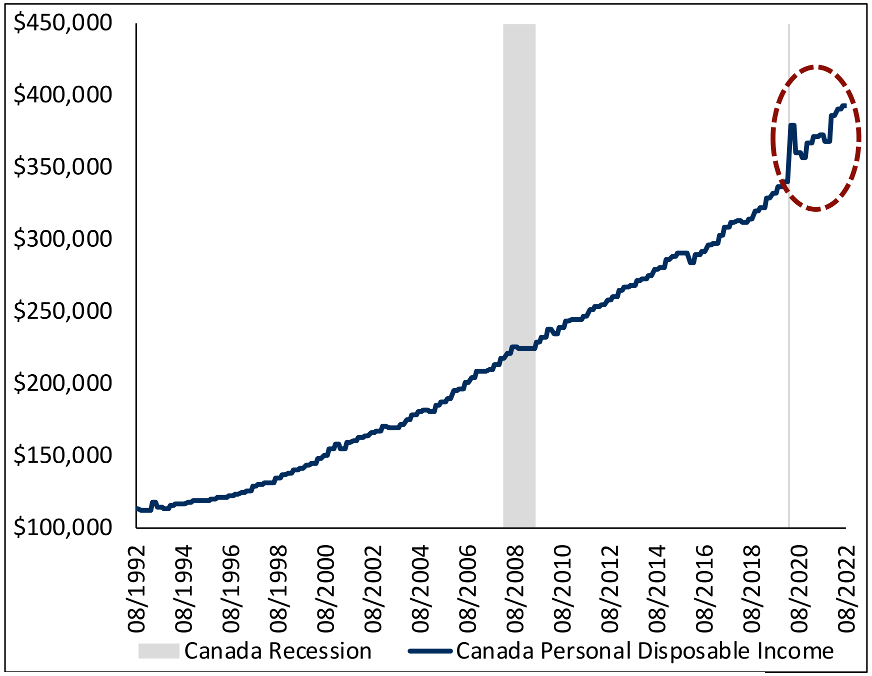
Total U.S. disposable personal income has fallen from the pandemic highs as fiscal stimulus programs ended and consumer pent-up savings were drawn down. A different tale is unfolding in Canada with aggregate disposable personal income still steadily increasing, but for how much longer given the headwinds?

Total U.S. Disposable Personal Income Past the Peak (USD Bil.)



Source: FactSet; Raymond James Ltd.; Data as of 07/29/2022.

Total Canadian Disposable Personal Income Still Rising (CAD Mil.)



Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

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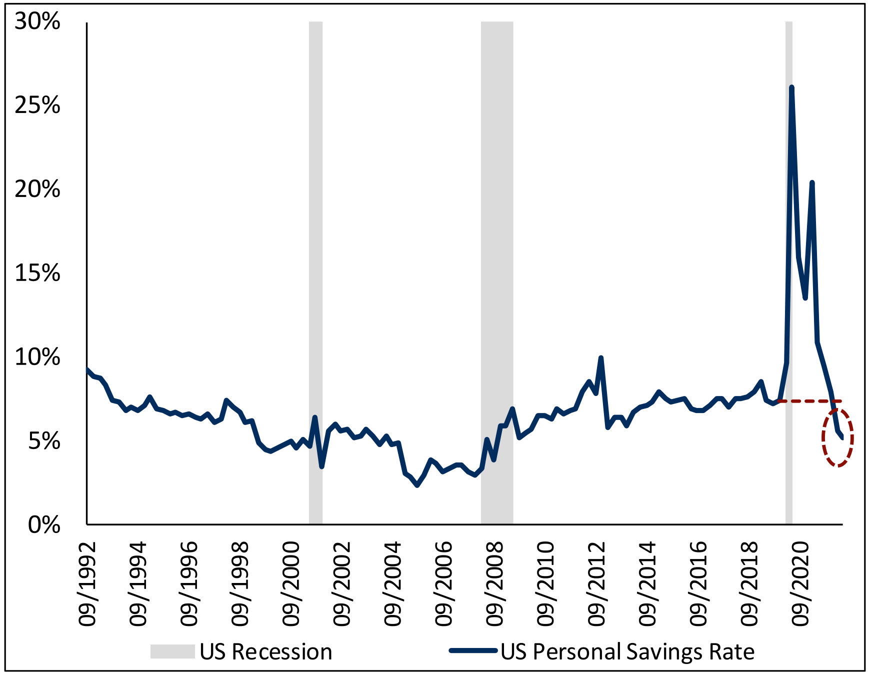
Elevated Savings Rates Have Been Drawn Down

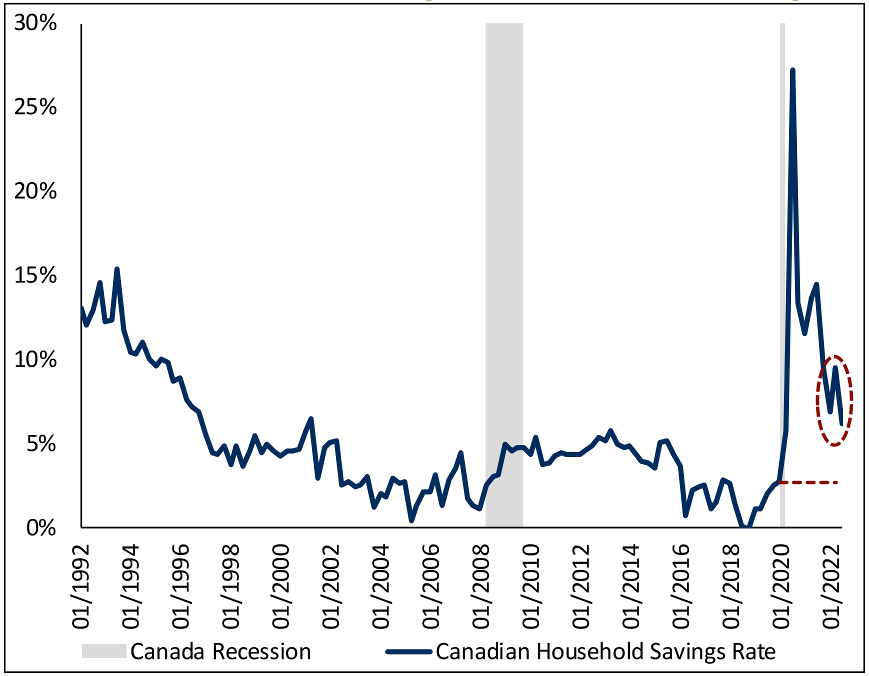
Excess savings in the U.S. have transitioned to excess spending (~70% of the U.S. GDP is consumption related). The personal savings rate in the U.S. has dipped below pre-pandemic levels, while the savings rate for Canadian households still remains above pre-pandemic levels, but is down from the peak.

U.S. Personal Savings Rate Below Pre-Pandemic Levels



Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

Canadian Household Savings Rate Still Remains High



Source: Statistics Canada; Raymond James Ltd.; Data as of 06/30/2022.

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Lagging Economic Indicators

A lagging indicator is an observable or measurable factor that changes sometime after the economic, financial, or business variable with which it is correlated changes. ***Lagging indicators confirm trends and changes in trends.***

Discussed Below:

- *Headline & Core CPI*
- *Financial Conditions Index*
- *Corporate Profits*
- *Unemployment Rate*

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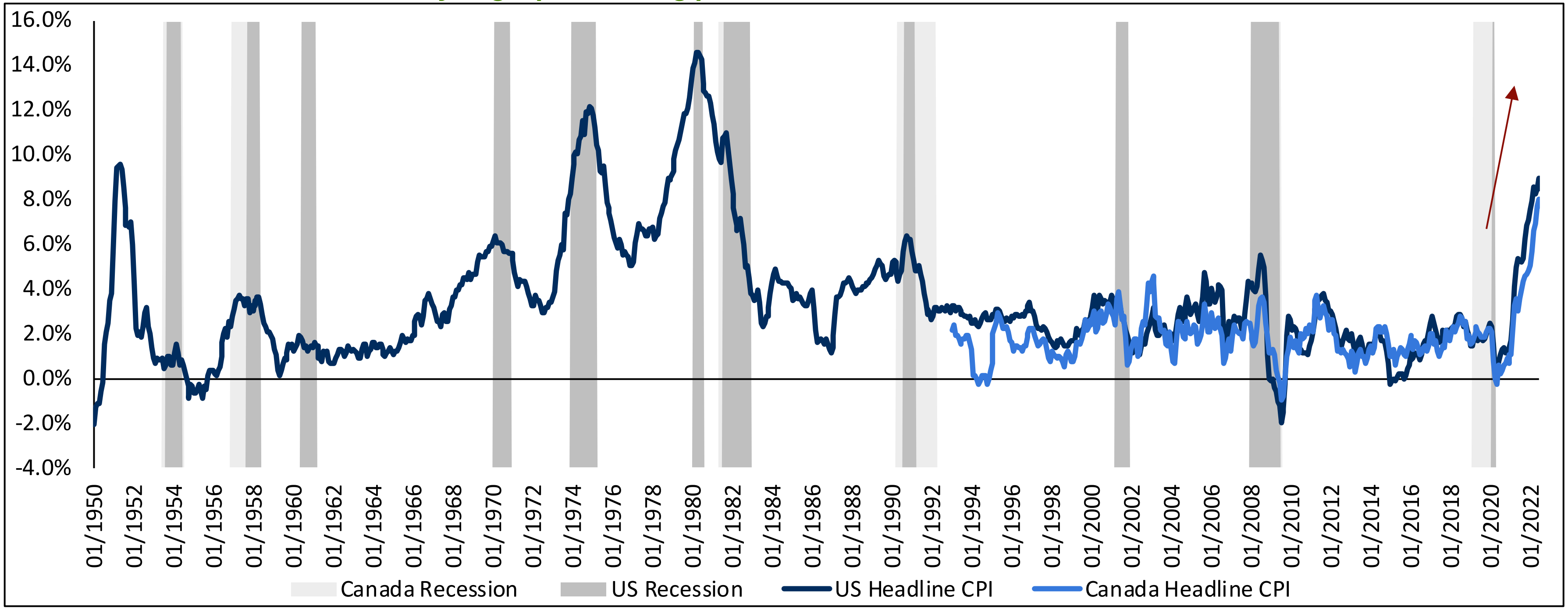
Peak Inflation? Maybe, but a Volatile Path to 2%

Inflation is still running way too hot, and while higher rates will indirectly slow demand and inflationary impulses, we still believe underlying inflationary pressures remain strong and that it will take time for these pressures to subside, resulting in an extended period of volatility/uncertainty for investors.

Inflation Still Remains Stubbornly High (YoY % Chg.)



Source: FactSet; Raymond James Ltd.; Data as of 07/29/2022.

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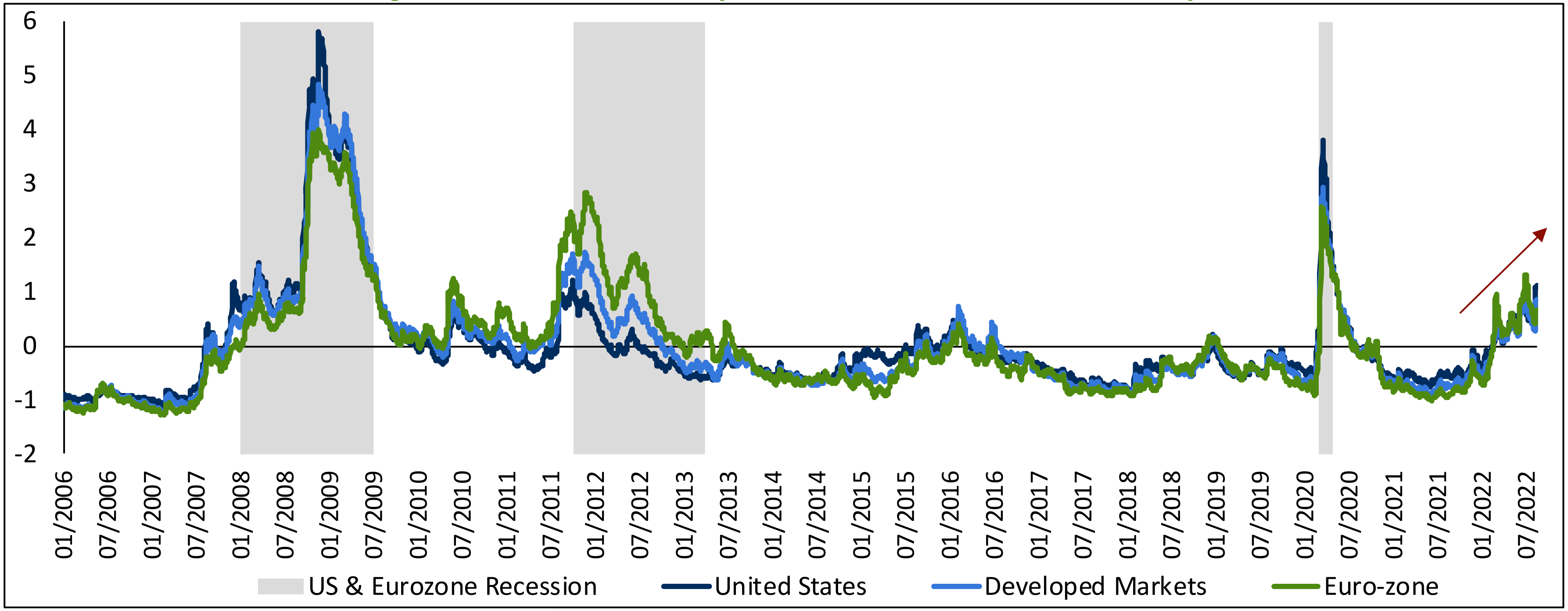
Financial Conditions - A Lot Tighter Than in Q4/2019

Financial conditions globally have tightened significantly since the beginning of the year and now sit well above pre-pandemic levels, including in the U.S. and Canada. These conditions support a further weakening/slowing in the economic outlook, which we expect to slow further into 2023.

Financial Conditions Have Tightened Since Mid-2021 (Standard Deviation From the Mean)



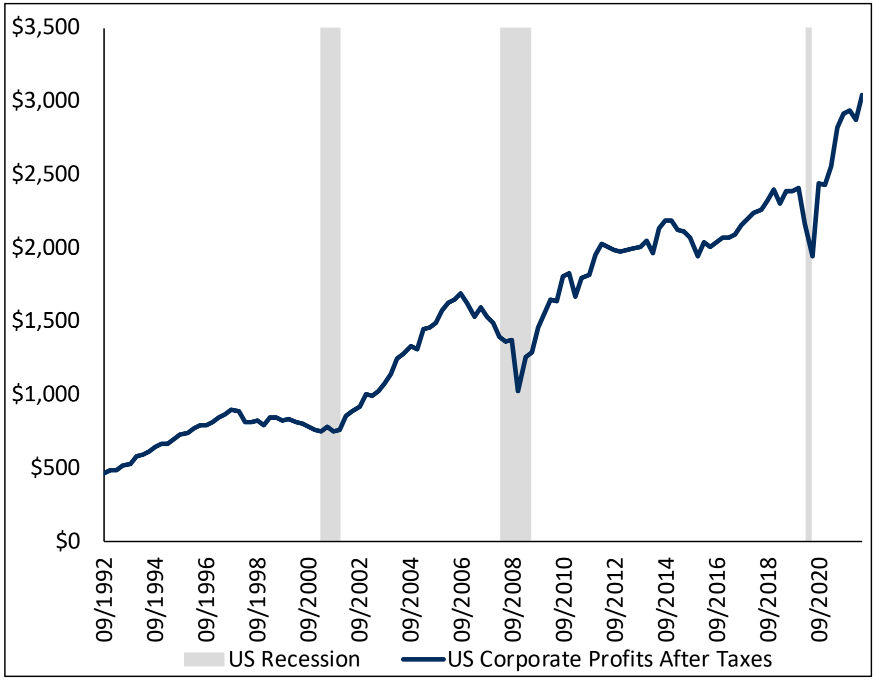
Source: Capital Economics; Raymond James Ltd.; Data as of 08/19/2022.

Note: the financial conditions indices are constructed from a range of financial market variables and are standardized as Z-scores from 2006 - unless otherwise specified - with 0 representing "average" financial conditions. Increases in the indices point to tighter conditions.

Profits Have Held In but for How Much Longer?

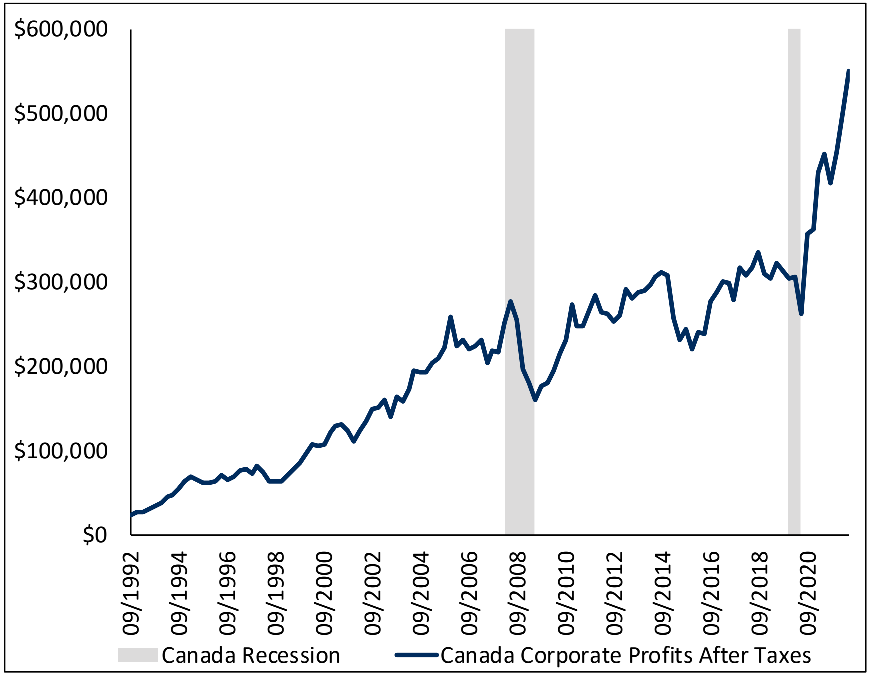
Aggregate corporate earnings for the S&P 500 and S&P/TSX indices are expected to rise 14% and 11% YoY in FY2023, respectively. However, we expect downward earning revisions over the next several quarters as rate increases, inflationary headwinds, etc. make their way down to corporate bottom lines.

U.S. Corporate Profits Appear to Have Peaked (USD Bil.)



Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

Canadian Corporate Profits Still Rising? (CAD Mil.)

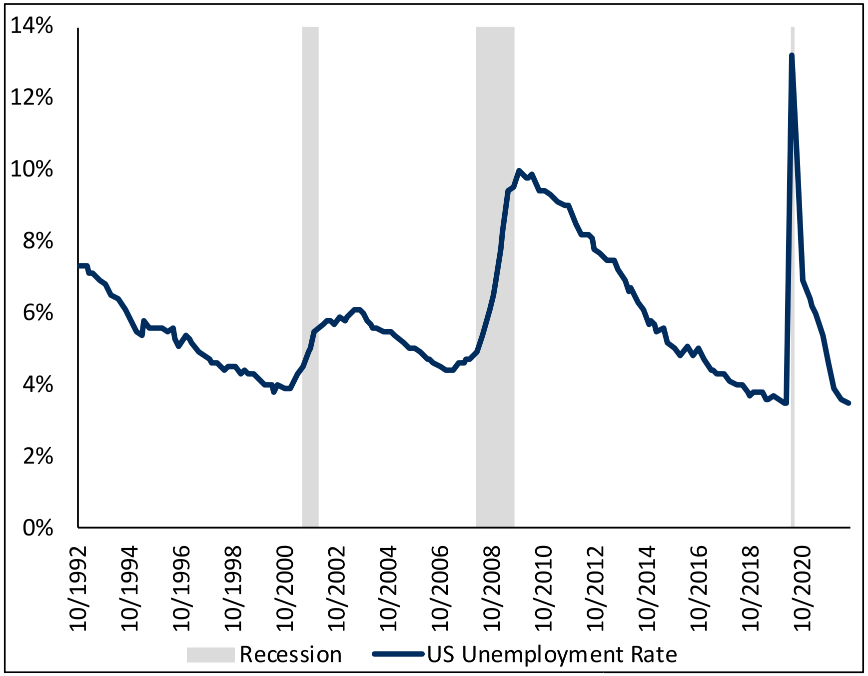


Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

Labour Markets Still Remain Very Tight

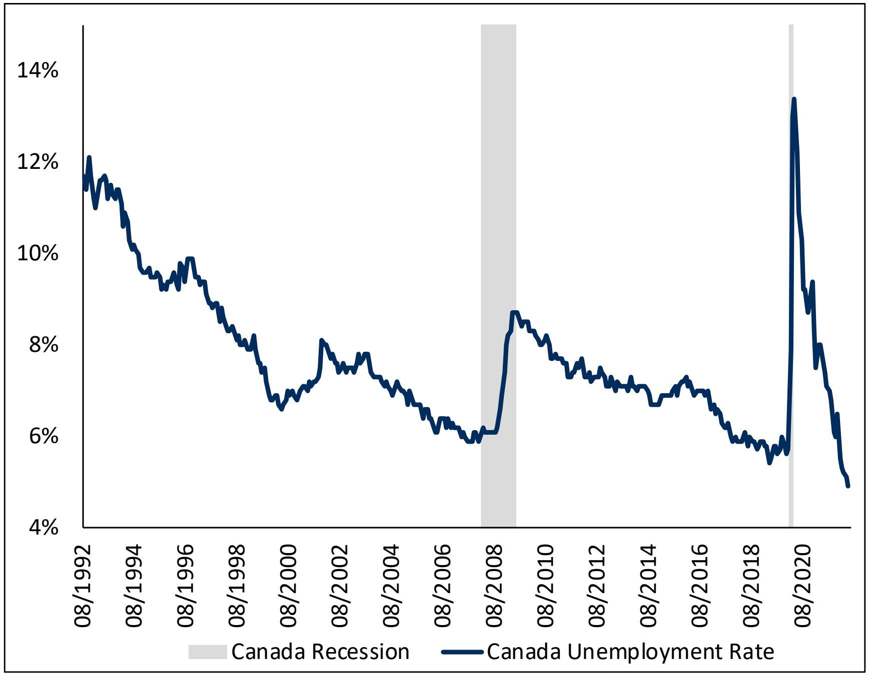
The unemployment rate in the U.S. and Canada remains at/below historical lows. This runs counter to the argument of a current/imminent recession. Another good indicator to watch for signs of weakening, which historically speaking has been good gauge that a recessionary conditions were brewing.

U.S. Unemployment Rate at Pre-Pandemic Lows



Source: FactSet; Raymond James Ltd.; Data as of 07/29/2022.

Canada Unemployment Rate Making a New 20-Yr Low



Source: FactSet; Raymond James Ltd.; Data as of 07/22/2022.

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Recommendations

A look at history to guide the future. In particular, we look at the performance of equity styles and sectors 1-year following a significant and persistent yield curve inversion.

Discussed Below – 1-Year Prior to a Recession:

- *U.S. Style and Sector Performance*
- *Canadian Style and Sector Performance*

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U.S. Equity Style Perf. – A Repeat of the Early 2000s?

In the lead-up to the last two recessions, U.S. Large Cap Growth as a style had the best performance. However, this style was the worst performing leading into the dot-com bubble, while the S&P Mid-Cap/Small-Cap Value style outperformed. That said, we see more similarities in the current backdrop to the early 2000s than the lead-up into the last two recessions.

Performance of U.S. Equity Styles Following a Significant 10yr-2yr Yield Curve Inversion

Index Name	Asset Class Name	Dot-Com Bubble (2000.2-2001.3)	Financial Crisis (2006.6-2007.12)	Pandemic (2019.8-2020.2)	2022 Inversion (2022.7-Current)
S&P 500	US Large Cap	-17.5%	20.7%	4.8%	3.5%
S&P 500 Growth	US Large Cap Growth	-33.7%	23.9%	6.0%	4.5%
S&P 500 Value	US Large Cap Value	2.2%	17.7%	3.4%	2.6%
S&P Mid Cap 400	US Mid Cap	4.2%	17.4%	-0.3%	6.3%
S&P Mid Cap 400 Growth	US Mid Cap Growth	-14.0%	21.8%	-0.2%	7.1%
S&P Mid Cap 400 Value	US Mid Cap Value	27.2%	12.8%	-0.7%	5.5%
S&P Small Cap 600	US Small Cap	3.3%	9.5%	-0.5%	4.1%
S&P Small Cap 600 Growth	US Small Cap Growth	-16.3%	13.2%	0.3%	4.8%
S&P Small Cap 600 Value	US Small Cap Value	22.8%	6.1%	-1.5%	3.4%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

U.S. Equity Styles – Where to Deploy Capital Today?

Across U.S. equity markets, we view Large-Cap stocks (incl. S&P 500 Growth, Value, and Blend) as still a bit expensive relative to the 20-year historical median, despite the YTD selloff. In comparison, Small/Mid-Cap indices continue to trade at very attractive P/Es and near their lowest levels since 2001. <u>For investors looking to deploy capital across U.S. equities, we see the most attractive risk/reward characteristics in the U.S. Mid-Cap Growth style.</u>

U.S. Equity Styles - Current vs. Historical Valuations

Index Name	Asset Class Name	Current PE NTM	Historical PE (Since 2001)	Premium (+) / Discount (-)	YTD Return
S&P 500	US Large Cap	17.5	16.7	0.8	-16.1%
S&P 500 Growth	US Large Cap Growth	21.5	18.7	2.9	-22.7%
S&P 500 Value	US Large Cap Value	14.8	14.7	0.1	-8.8%
S&P Mid Cap 400	US Mid Cap	12.9	18.2	-5.3	-13.6%
S&P Mid Cap 400 Growth	US Mid Cap Growth	13.9	20.4	-6.5	-18.3%
S&P Mid Cap 400 Value	US Mid Cap Value	12.1	16.6	-4.5	-8.8%
S&P Small Cap 600	US Small Cap	12.7	18.9	-6.2	-14.7%
S&P Small Cap 600 Growth	US Small Cap Growth	12.9	20.1	-7.2	-18.7%
S&P Small Cap 600 Value	US Small Cap Value	12.6	18.1	-5.5	-10.7%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

S&P 1500 Sector Performance Inconclusive at Best

Following a material inversion in the U.S. 10yr-2yr yield curve, sector performance leading to the past three recessions has been anything but consistent – i.e., no clear pattern in sector performance due to several unique characteristics of each of the past three recessions – tech wreck, banking crisis, global pandemic/global lockdowns, etc.

Performance Following a Significant 10yr-2yr Yield Curve Inversion

Sector Name	Dot-Com Bubble (2000.2-2001.3)	Financial Crisis (2006.6-2007.12)	Pandemic (2019.8-2020.2)	2022 Inversion (2022.7-Current)
S&P 1500 Composite	-15.6%	20.0%	4.3%	3.7%
Communication Services	-35.0%	39.1%	6.8%	-3.8%
Consumer Discretionary	-18.9%	-0.1%	0.7%	8.4%
Consumer Staples	15.3%	27.3%	-1.5%	0.8%
Energy	14.8%	55.1%	-15.2%	16.6%
Financials	19.2%	-6.9%	2.6%	4.0%
Health Care	10.9%	19.6%	5.8%	-3.1%
Industrials	2.9%	21.9%	1.8%	7.2%
Information Technology	-54.5%	34.0%	14.8%	5.1%
Materials	--	43.2%	-3.0%	5.1%
Real Estate	--	0.7%	-2.3%	0.7%
Utilities	32.6%	35.4%	1.6%	6.7%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

Sector Valuations – Focus on Highest Risk/Reward Sectors

U.S. equities are now trading back in line with their 20-year historical P/E median of 16.5x – down substantially from 22-23x in 2021. We continue to emphasize that investors should focus on "places to invest" versus "places to hide" – i.e., focus on sectors trading at a relative discount compared to history (green) versus sectors trading at a premium (red).

S&P 1500 Sector Valuations - Current vs. Historical

Sector Name	Sector Weight	Current PE NTM	Historical PE (Since 2002)	Premium (+) / Discount (-)	YTD Return
S&P 1500 Composite		17.0	16.5	0.4	-16.0%
Communication Services	7.9%	15.8	15.7	0.1	-30.4%
Consumer Discretionary	11.7%	23.4	19.2	4.2	-23.8%
Consumer Staples	6.6%	21.0	18.1	2.8	-4.1%
Energy	4.7%	7.8	14.4	-6.6	48.3%
Financials	11.3%	12.6	13.5	-0.9	-14.0%
Health Care	13.9%	15.7	17.1	-1.4	-11.3%
Industrials	8.7%	17.5	17.1	0.5	-12.0%
Information Technology	25.9%	21.6	17.7	3.9	-22.0%
Materials	2.9%	11.3	16.8	-5.4	-14.3%
Real Estate	3.3%	--	--	--	-18.7%
Utilities	3.2%	20.8	16.0	4.8	4.9%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

Canadian Equity Style Perf. Post a Yield Curve Inversion

Canadian Large Caps have generally outperformed following a material inversion of the Canadian 10yr-2yr yield curve, including during the lead-up to the past two recessions. In particular, Large-Cap Growth had the best performance. However, following the recent yield curve inversion (beg. July 2022), Large-Caps have been the worst performing style, with the Mid/Small-Cap Value style outperforming.

Performance Following a Significant 10yr-2yr Yield Curve Inversion

Index Name	Asset Class Name	Financial Crisis (2007.5-2008.10)	Pandemic (2019.6-2020.2)	2022 Inversion (2022.7-Current)
MSCI Canada Large Cap	CDN Large Cap Blend	-20.0%	1.9%	1.9%
MSCI Canada Large Cap Growth	CDN Large Cap Growth	-17.4%	5.0%	3.7%
MSCI Canada Large Cap Value	CDN Large Cap Value	-23.1%	-1.1%	0.4%
MSCI Canada Mid Cap	CDN Mid Cap Blend	-29.9%	-6.6%	5.4%
MSCI Canada Mid Cap Growth	CDN Mid Cap Growth	-38.4%	-7.9%	4.5%
MSCI Canada Mid Cap Value	CDN Mid Cap Value	-20.9%	-4.8%	7.5%
MSCI Canada Small Mid	CDN Small Cap Blend	-37.8%	-2.7%	6.3%
MSCI Canada Small Mid Growth	CDN Small Cap Growth	-47.0%	-3.9%	5.9%
MSCI Canada Small Mid Value	CDN Small Cap Value	-29.0%	-1.1%	7.0%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

Canadian Mid-Caps Look Attractive, “eh”?

Similar to the U.S., we see the most compelling relative risk/reward characteristics across the Canadian Mid-Cap group.

Canadian Equity Style Valuations - Current vs. Historical

Index Name	Asset Class Name	Current PE NTM	Historical PE (Since 2011)	Premium (+) / Discount (-)	YTD Return
MSCI Canada Large Cap	Canada Large Cap	11.3	14.4	-3.1	-7.8%
MSCI Canada Large Cap Growth	Canada Large Cap Growth	13.5	16.9	-3.3	-18.7%
MSCI Canada Large Cap Value	Canada Large Cap Value	10.7	12.5	-1.8	1.2%
MSCI Canada Mid Cap	Canada Mid Cap	12.9	19.9	-7.0	-6.5%
MSCI Canada Mid Cap Growth	Canada Mid Cap Growth	15.2	20.9	-5.7	-10.5%
MSCI Canada Mid Cap Value	Canada Mid Cap Value	--	--	--	0.7%
MSCI Canada Small Cap	Canada Small Cap	11.1	20.1	-9.0	-6.9%
MSCI Canada Small Cap Growth	Canada Small Cap Growth	15.2	23.1	-7.9	-12.8%
MSCI Canada Small Cap Value	Canada Small Cap Value	8.9	17.1	-8.2	0.9%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

S&P/TSX Sector Perf. Following a Significant Inversion

The dot-com bubble resulted in a recession in the U.S., but not in Canada. That said, looking at the past two recessions, we note that the Utilities and Information Technology sectors outperformed in the 1-yr lead-up to these recessions, while the Health Care sector underperformed.

Performance Following a Significant 10yr-2yr Yield Curve Inversion

Index Name	Financial Crisis (2007.5-2008.10)	Pandemic (2019.6-2020.2)	2022 Inversion (2022.7-Current)
S&P/TSX Composite	-24.2%	1.2%	3.1%
Communication Services	-12.9%	-1.2%	-0.2%
Consumer Discretionary	-35.5%	-9.3%	7.5%
Consumer Staples	-19.5%	-0.2%	2.9%
Energy	-22.0%	-1.6%	6.9%
Financials	-27.4%	2.6%	0.4%
Health Care	-39.6%	-46.5%	1.2%
Industrials	-20.6%	1.5%	7.2%
Information Technology	-15.8%	22.1%	-0.9%
Materials	-26.7%	-2.3%	2.2%
Real Estate	-44.8%	7.2%	1.6%
Utilities	-7.9%	17.8%	4.8%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

S&P/TSX Sector Valuations – What Looks Attractive, "eh" ?

Canadian equities, broadly speaking, are cheap when compared to the 20-year historical P/E median of 14.5x. We continue to suggest investors focus on "places to invest" versus "places to hide" – i.e., sectors that are trading at a relative discount compared to history (green) versus sectors trading at a premium (red).

S&P/TSX Sector Valuations - Current vs. Historical

Sector Name	Sector Weight	Current PE NTM	Historical PE (Since 2002)	Premium (+) / Discount (-)	YTD Return
Canada S&P/TSX Composite		12.1	14.5	-2.4	-7.2%
Communication Services	4.9%	18.0	15.7	2.2	-2.2%
Consumer Discretionary	3.5%	13.3	14.3	-1.0	-8.9%
Consumer Staples	4.2%	16.3	15.8	0.5	4.4%
Energy	17.9%	8.6	15.2	-6.6	30.9%
Financials	31.6%	9.8	11.5	-1.7	-10.1%
Health Care	0.4%	2.9	16.5	-13.6	-53.8%
Industrials	12.8%	24.6	15.5	9.1	-1.1%
Information Technology	6.1%	31.6	21.3	10.2	-54.6%
Materials	10.7%	11.3	17.2	-6.0	-9.0%
Real Estate	2.8%	15.1	14.7	0.4	-19.9%
Utilities	5.2%	24.0	17.9	6.1	6.6%

Source: FactSet; Raymond James Ltd.; Data as of August 31, 2022.

Refer to Stock Screens for Top Ideas

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