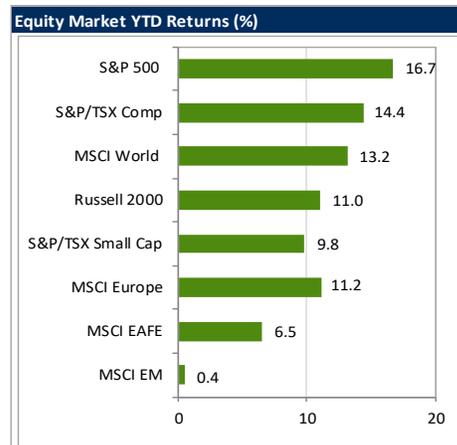


Chart Pack

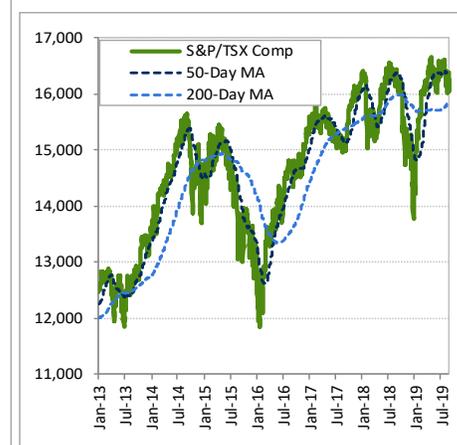
This week we look at a series of charts to help us take the pulse of the market and see what has/has not been working:

- In August the S&P/TSX Composite Index continued to lose momentum as the index's MACD crossed below the center line and fell back to test support at around the 16,000 level. The index seems to be range bound between 16,000 and 16,600 with the Canadian benchmark failing to make a new high this year as opposed to its US counterparts. While the index tested the higher end of its range five times this year, divergence between price and MACD, RSI and breadth points to further consolidation. From a valuation perspective, the S&P/TSX trades at a forward price-to-earnings multiple of 14.3x, a discount to both its 5-year average of 15.6x and 10-year average of 14.7x.
- The S&P 500's new high of 3,027 in July was short-lived as the index retraced, breaking below the 2,950 level (previous resistance), amid the Fed's rate cut in July, concerns of the yield curve inverting, Trump's ratcheting up the trade war with China and worries of an earnings recession. Given the MACD crossed below the center line and breadth weakening since July, the index lost momentum. We peg the next leg of support at the 200-day MA and 32.8% Fibonacci retracement level. The forward PE multiple for the S&P 500 sits at 16.6x, in line with its 5-year average and a premium to its 10-year average of 15.0x.
- Within the Canadian cyclical sectors, information technology continues to lead the way with materials now in second place, taking over the industrials sector so far in 2019.
- Within the Canadian defensive sectors, utilities and real estate continue to be the go-to's, especially with the decline in long-term yields.



Canadian Sectors	Weight	Recommendation
Consumer Discretionary	4.3	Underweight
Consumer Staples	4.1	Overweight
Energy	16.2	Underweight
Financials	31.2	Overweight
Health Care	1.5	Underweight
Industrials	11.4	Market weight
Technology	5.7	Market weight
Materials	11.8	Market weight
Communications	5.6	Market weight
Utilities	4.6	Market weight
Real Estate	3.6	Market weight

Technical Considerations	Level	YE Target
S&P/TSX Composite	16,384	15,600



Source: Bloomberg, Raymond James Ltd.
Sectors are based on Bloomberg classifications

S&P/TSX Top 5 Gainers/Laggards*	S&P/TSX Market Internals			
BRP INC/CA-SUB V	23%	Weekly Advance	85	34%
GRAN TIERRA ENER	17%	Weekly Decline	150	60%
PRECISION DRILL	15%	Advance-Dcline	-65	
MEG ENERGY CORP	11%	New 52 wk high	14	6%
KELT EXPLORATION	10%	New 52 wk low	0	0%
FIRST QUANTUM	-5%	No. Stocks Above 50-d	115	46%
CES ENERGY SOLUT	-5%	No. Stocks Above 200-d	141	56%
NEW GOLD INC	-5%	Arms Weekly Index	1.14	Neutral
SEMAFO INC	-5%	RSI (14-day)	54.1	Neutral
TURQUOISE HILL R	-6%	50-DMA	16,390	Downtrend
		200-DMA	15,883	Uptrend

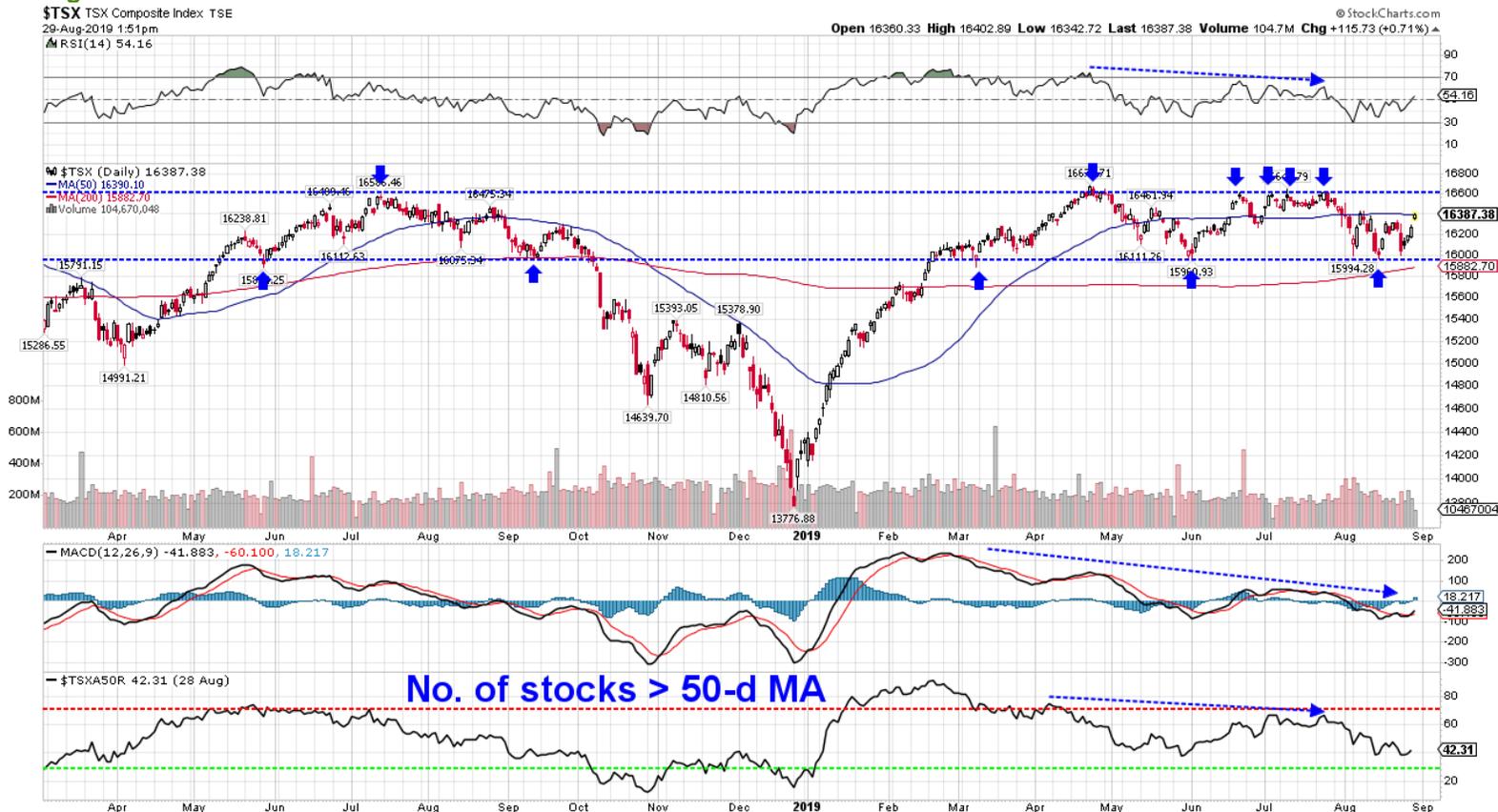
Source: Bloomberg, Raymond James Ltd; * 5-day price return

Please read domestic and foreign disclosure/risk information beginning on page 13
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2200-925 West Georgia Street | Vancouver BC Canada V6C 3L2.

S&P/TSX: Fading Momentum

In August the S&P/TSX Composite Index continued to lose momentum as the index's MACD crossed below the center line and fell back to test support at around the 16,000 level. The index seems to be range bound between 16,000 and 16,600 with the Canadian benchmark failing to make a new high this year as opposed to its US counterparts. While the index tested the higher end of its range five times this year, divergence between price and MACD, RSI and breadth points to further consolidation. From a valuation perspective, the S&P/TSX trades at a forward price-to-earnings multiple of 14.3x, a discount to both its 5-year average of 15.6x and 10-year average of 14.7x.

S&P/TSX Losing Momentum

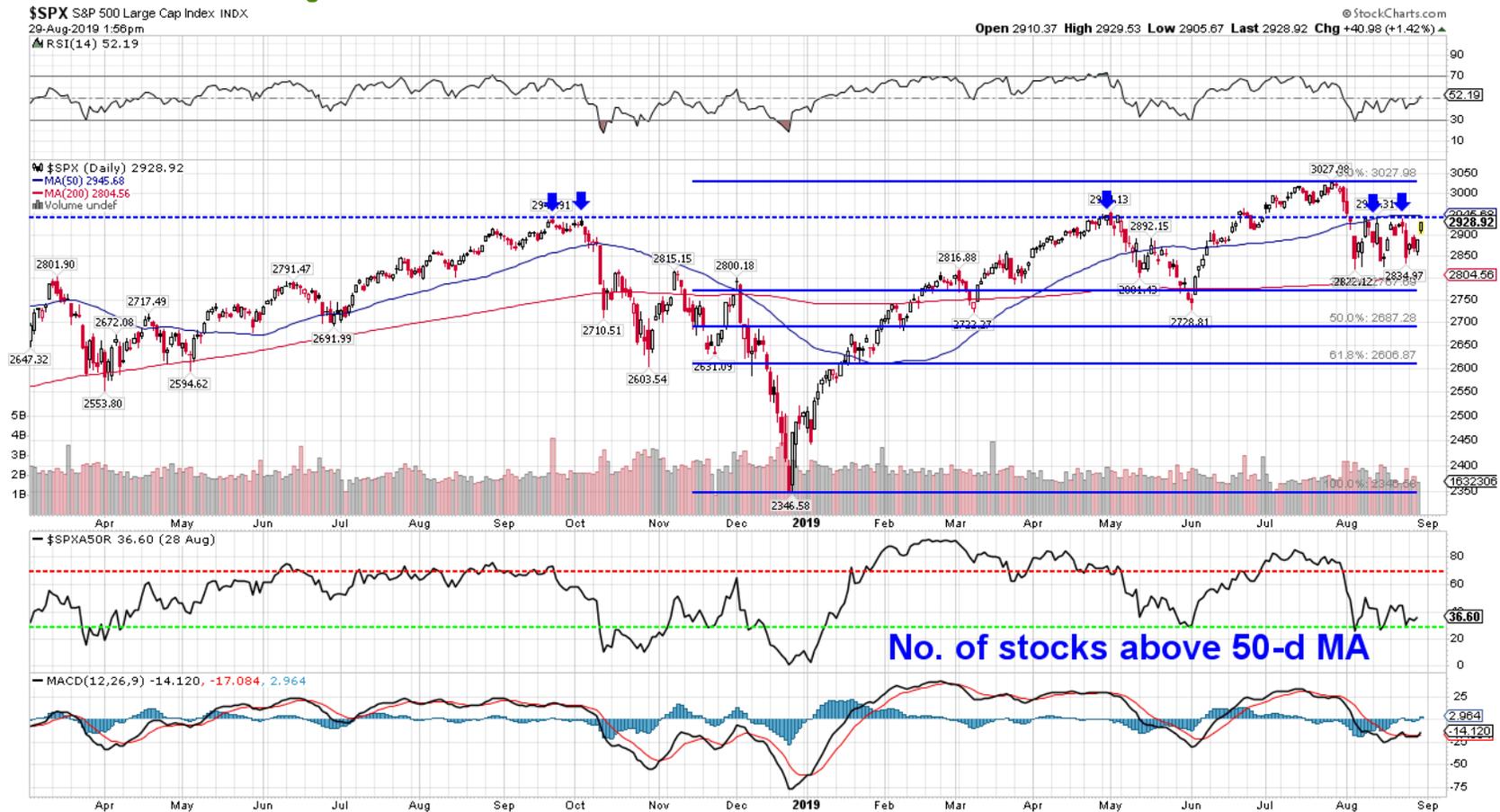


Source: Stockcharts.com, Raymond James Ltd.

S&P 500: New High Short-lived

The S&P 500's new high of 3,027 in July was short-lived as the index retraced, breaking below the 2,950 level (previous resistance), amid the Fed's rate cut in July, concerns of the yield curve inverting, Trump's ratcheting up the trade war with China and worries of an earnings recession. Given the MACD crossed below the center line and breadth weakening since July, the index lost momentum. We peg the next leg of support at the 200-day MA and 32.8% Fibonacci retracement level. The forward PE multiple for the S&P 500 sits at 16.6x, in line with its 5-year average and a premium to its 10-year average of 15.0x.

S&P 500 Back from Its All-time High



Source: Stockcharts.com, Raymond James Ltd.

Stars and Stripes Outperforming the Maple Leaf

Canada continues its underperforming trend relative to the US, as the ratio fell below both the 200-day and 50-day MAs. The 50-day MA crossed below the 200-day MA, indicating that the prospects for the S&P/TSX may remain dim relative to the S&P 500.

S&P/TSX vs S&P 500: S&P 500 Back in the Lead

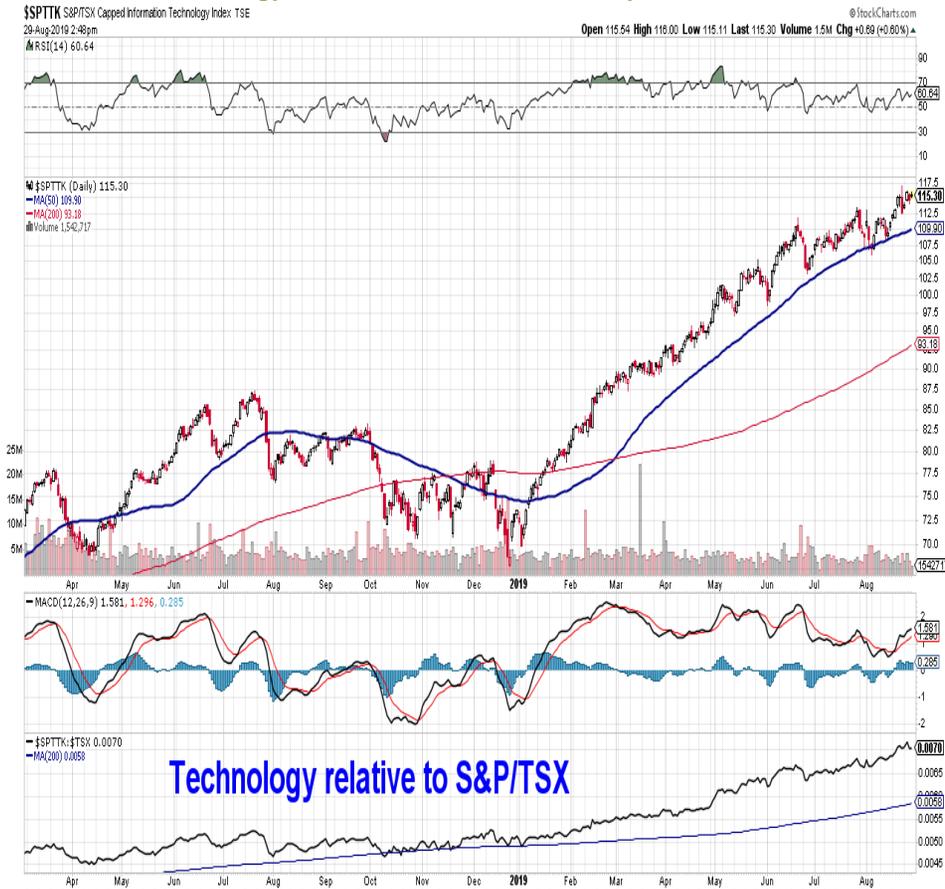


Source: Stockcharts.com, Raymond James Ltd.

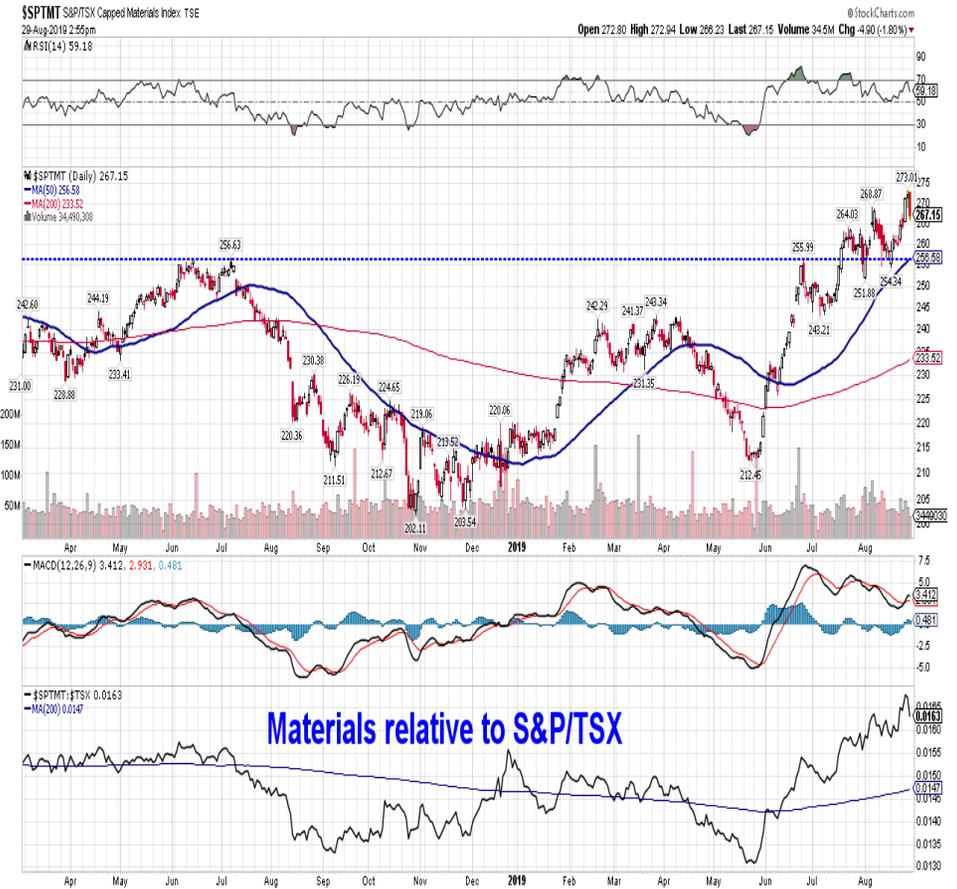
Cyclical Sectors Working In Canada

Within the Canadian cyclical sectors, information technology continues to lead the way with materials now in second place, taking over the industrials sector so far in 2019. Info tech continues to be driven by Shopify (SHOP-T), up 177% year-to-date (YTD). The materials sector has largely benefitted from gold names with the precious metal up 19% YTD.

Information Technology Continues to Lead The Way...



...With Materials Now in Second Place



Source: Stockcharts.com, Raymond James Ltd.

Defensive Sectors Working in Canada

Within the Canadian defensive sectors, utilities and real estate continue to be the go-to's especially with the decline in long-term yields.

Utilities Lead the Defensives...



Source: Stockcharts.com, Raymond James Ltd.

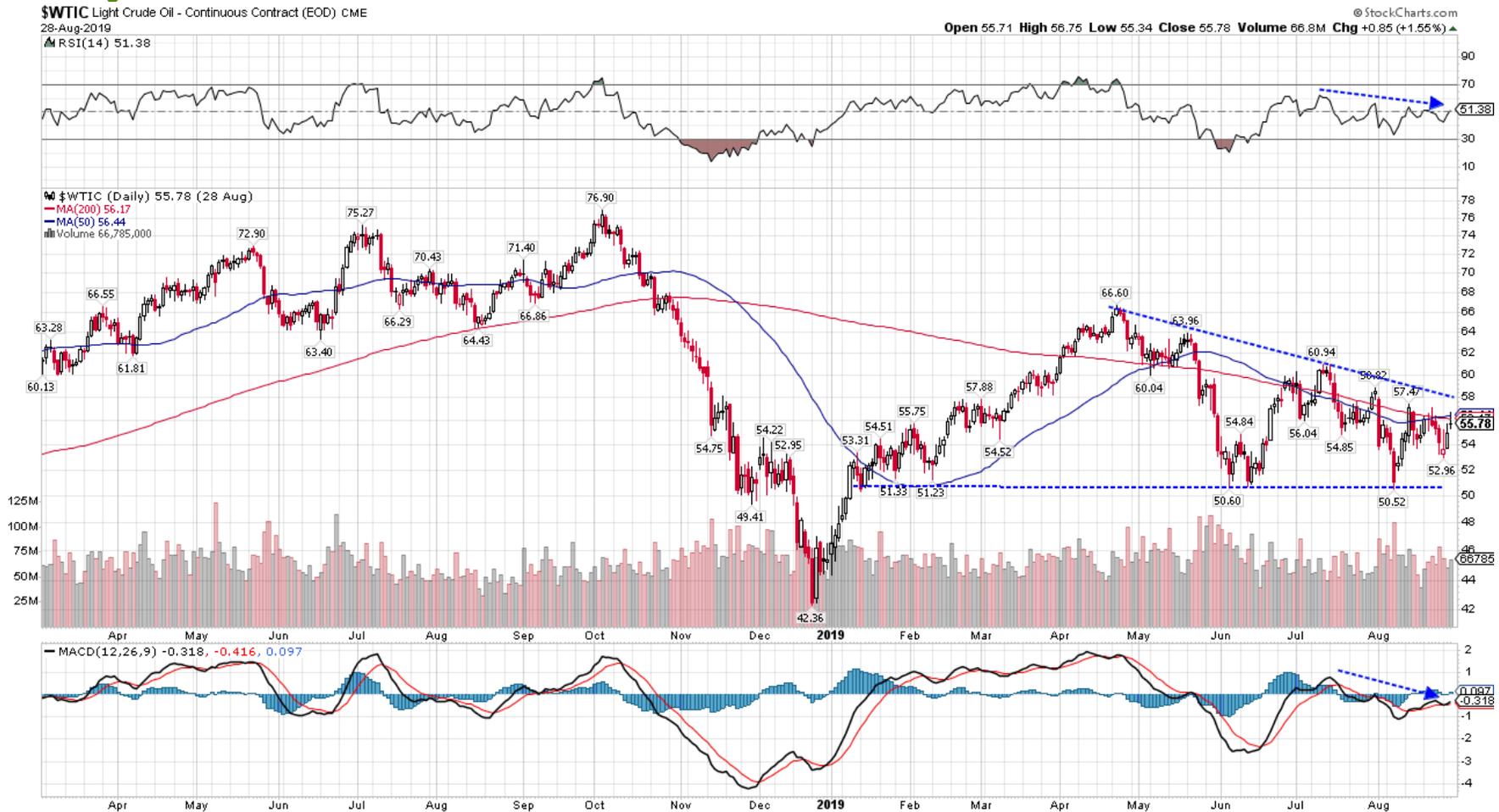
...Along with Real Estate



Oil Weakening on Demand Outlook

Oil prices remain on a downtrend with the MACD relapsing below the center line. Concerns about a US-China trade conflict ramped up, worrying investors that a weak global economy may dent demand for oil. The commodity is down ~15% from its 2019 highs in April.

WTI Trending Lower

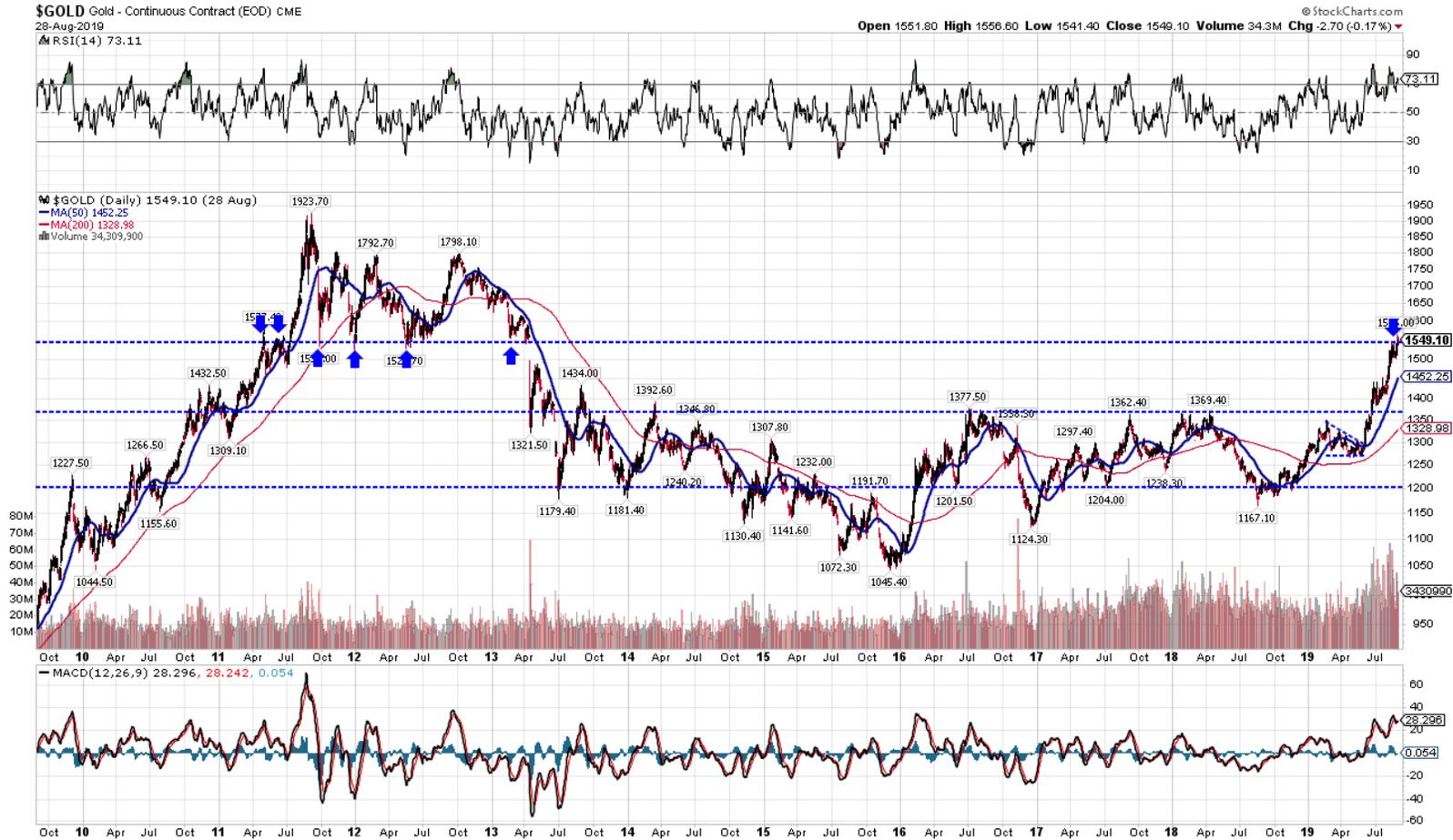


Source: Stockcharts.com, Raymond James Ltd.

Gold Making Au-some Highs

Bullion prices reach levels not seen since early 2013, as investors seek cover from global uncertainties. With the yield curve inverting, fears of a global economic slowdown and ongoing trade disputes between the world’s two largest economies, investors have flocked to buy the yellow precious metal, which is considered a safe haven during times of uncertainty. Gold prices currently face resistance at around the \$1,550/oz level, previously a level of support between 2011 to 2013.

Bullion At Levels Not Seen Since 2013

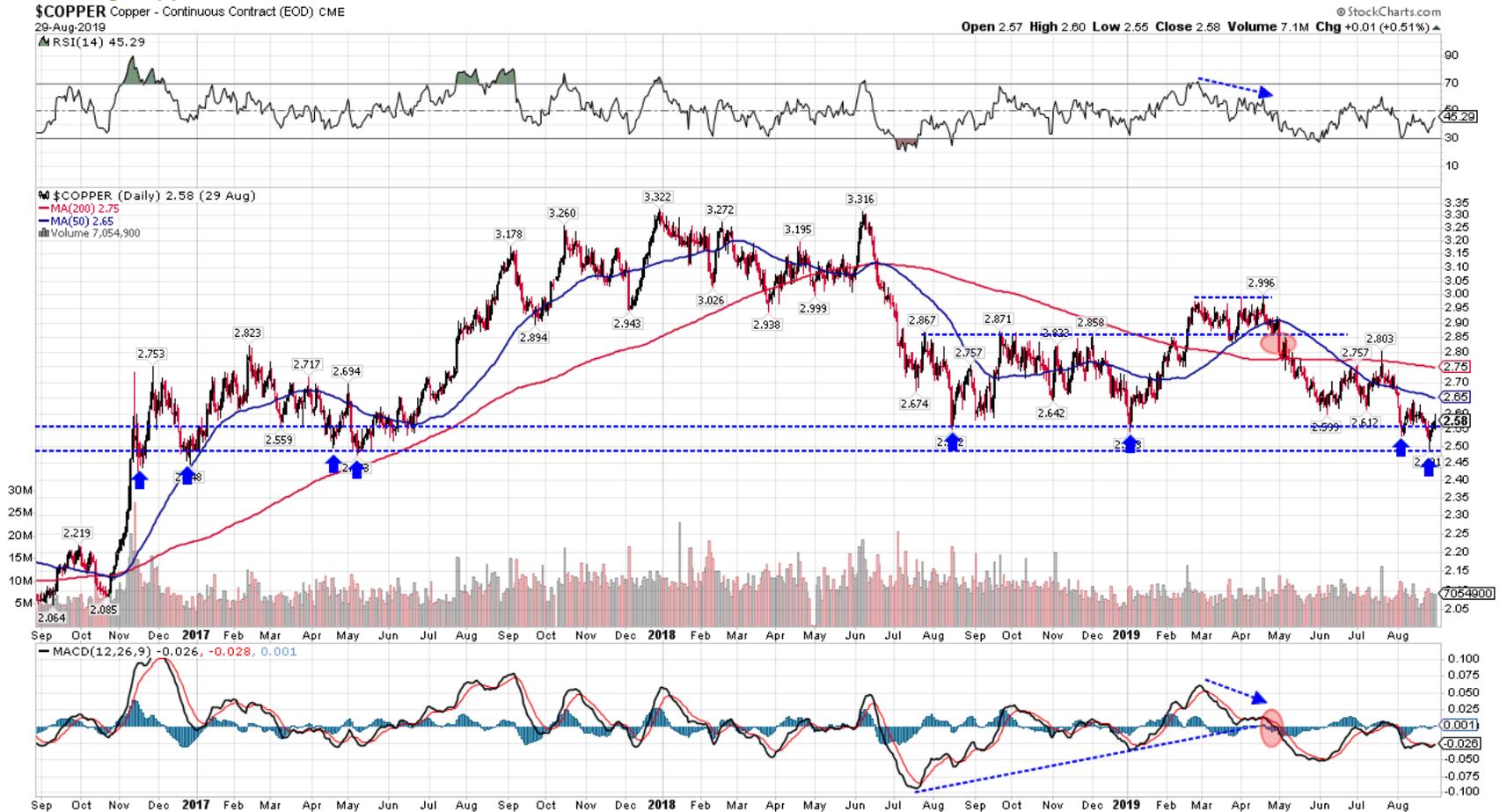


Source: Stockcharts.com, Raymond James Ltd.

Copper Weakness Remains

Dr. Copper is testing support at the \$2.50 to \$2.55 range with the commodity now trading closer to the higher end. Momentum remains weak with the MACD below the center line amid the ongoing China-US trade spat. Direction for the base metal will largely depend on a resolution of the trade conflict as China is the world's largest importer and user of the commodity.

Copper Testing Support



Source: Stockcharts.com, Raymond James Ltd.

Around the World in 30 Seconds: China's Year of the Pig

China A-shares momentarily broke out of their long term down trend, but relapsed early May amid escalating China-US trade tensions. Following the price, MACD and RSI divergence seen earlier this year, the market has lost its momentum since its 2019 high and now faces resistance at the 61.8% Fibonacci retracement level and 50-day MA.

The Shanghai Exchange Now Faces Resistance

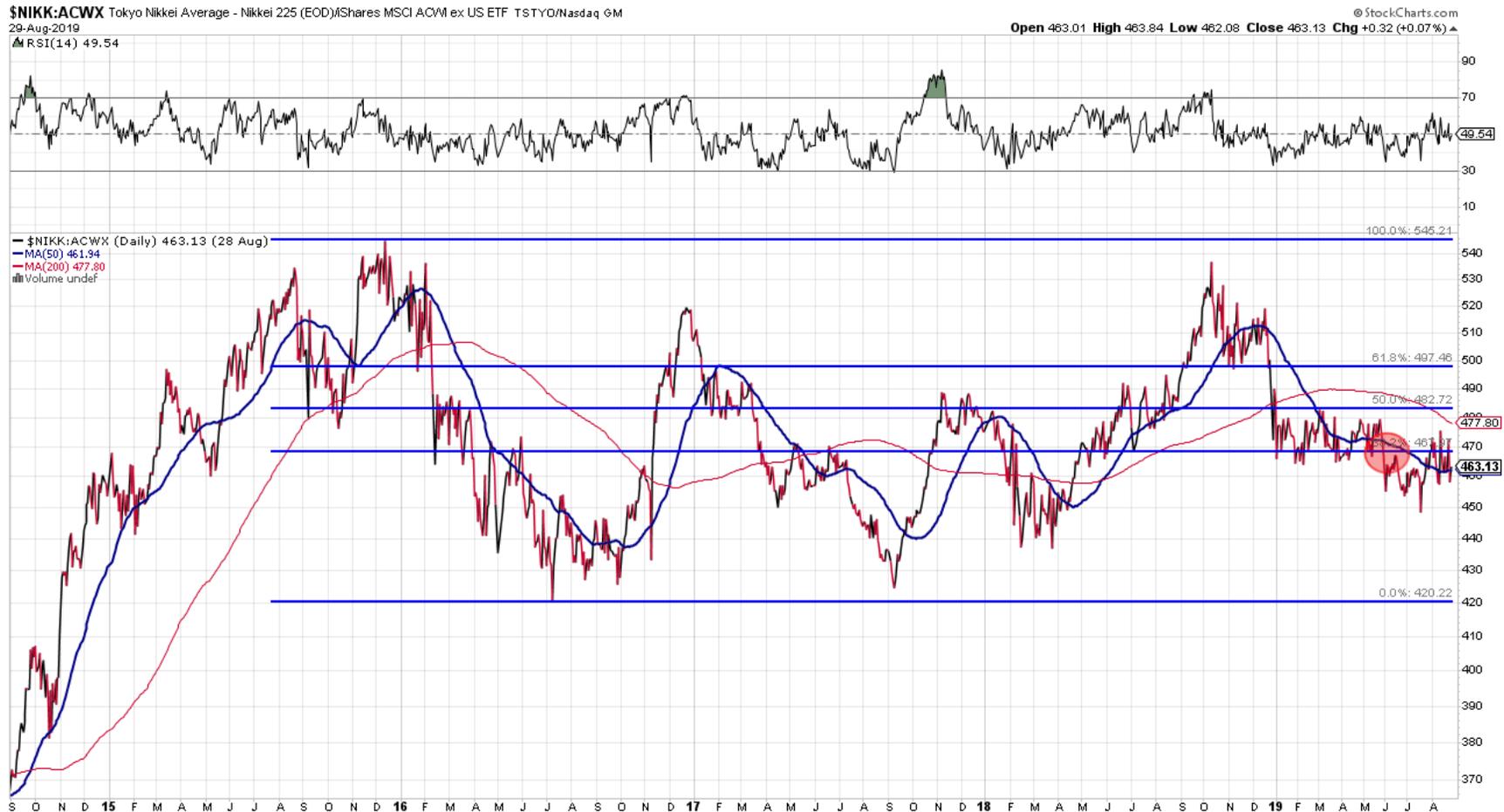


Source: Stockcharts.com, Raymond James Ltd.

Around the World in 30 Seconds - Japan

The Nikkei is underperforming relative to the iShares MSCI ACWI ex U.S. ETF (ACWX) YTD, breaking below the 38.2% Fibonacci retracement level. Given that Japan has one of the highest export exposures to China, the country has been affected by rising trade tensions between the US and China.

Japan: Nikkei vs the World

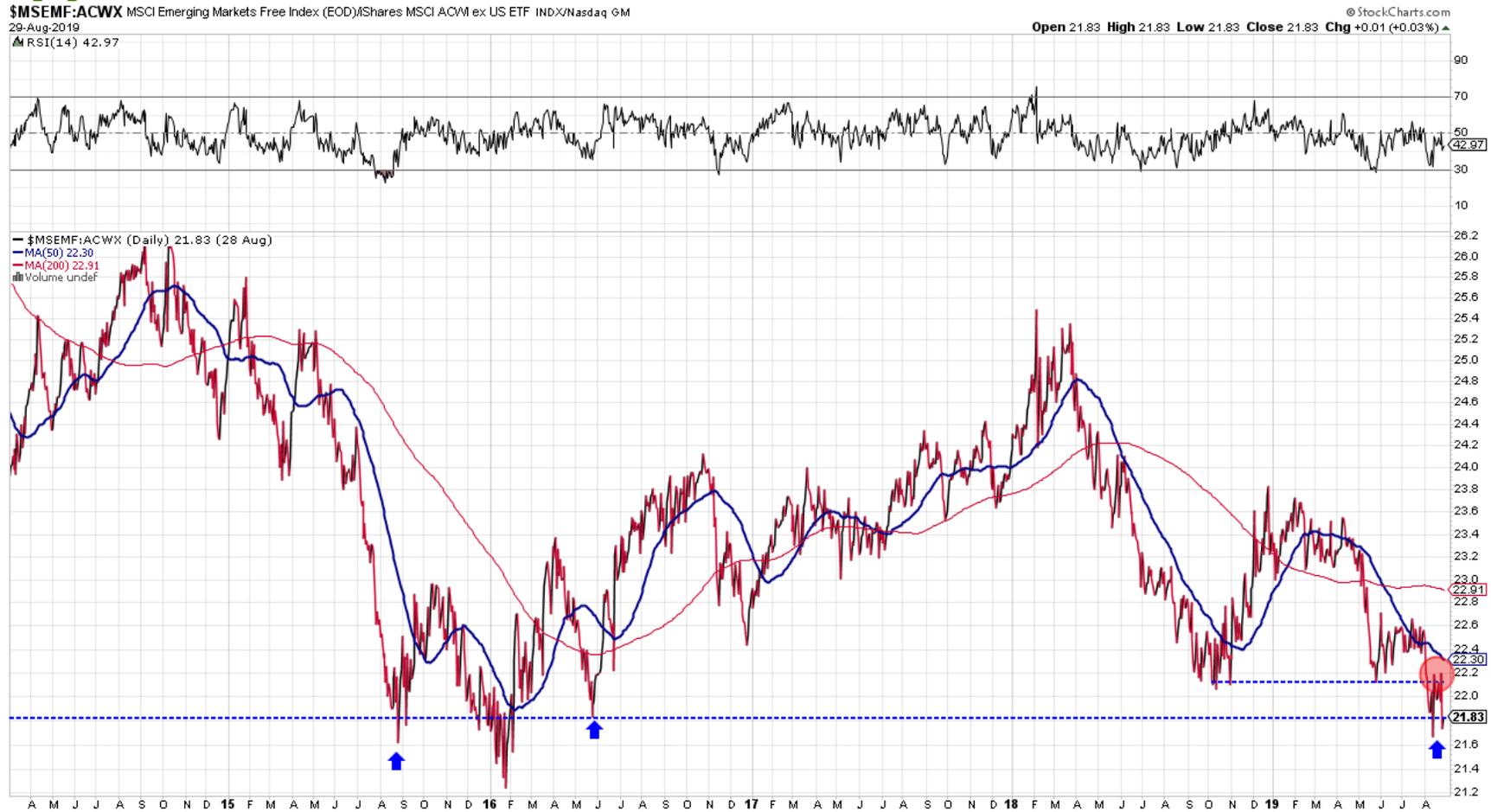


Source: Stockcharts.com, Raymond James Ltd.

Around the World in 30 Seconds – Emerging Markets

Emerging markets (EM) broke relative short term support to the ACWX and is now facing support at levels not seen since 2016.

Emerging Markets: EM vs the World



Source: Stockcharts.com, Raymond James Ltd.

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