



Putting Recent Market Volatility Into Perspective

It's normal to be concerned when market volatility is in the headlines, but it's important to remember that what's happening in the headlines may not necessarily be happening in your portfolio. As always, TD Asset Management Inc. (TDAM) employs multiple strategies that can help address volatility in times of uncertainty.

Keep in mind that TD Asset Management Inc.'s (TDAM) approach to risk management is at the core of all that we do. Our actively managed solutions, for example, are well-diversified and regularly rebalanced to help manage volatility and respond to market events. While market conditions are ever-changing, TDAM's disciplined investment approach will help keep you on track to reaching your goals.

The October market pullback continued across North America on Wednesday amid renewed concerns related to the impact of rising rates, U.S.- China tariff war and a plateauing global economy.

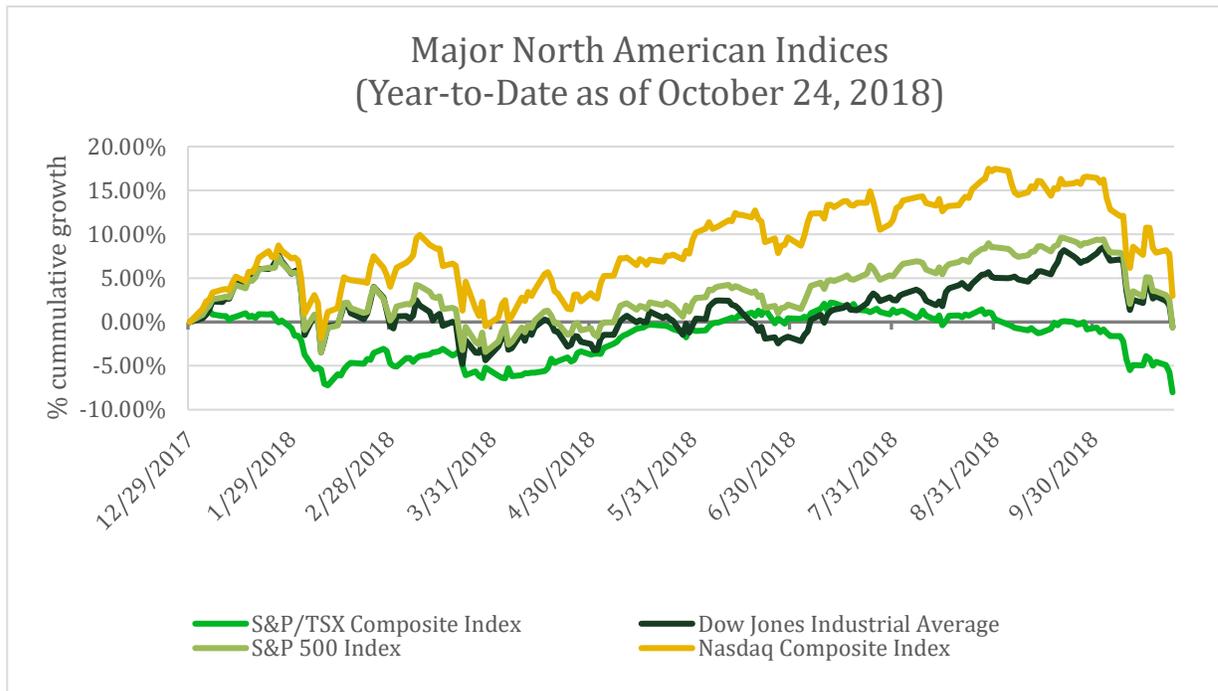
U.S. market sentiment became negative with the release of mixed corporate earnings and weak housing data. Markets focused on the disappointing corporate earnings, as weaker than expected announcements from names such as Caterpillar Inc. earlier in the week were followed by AT&T Inc. and Texas Instruments Inc. on Wednesday. There is also worry that peak earnings may have already arrived for many sectors, internet, technology and more recently energy and materials.

As the market sell-off deepened the S&P 500 Index dropped 3.09% to 2656, and the Dow Jones Industrial Average lost 600 points or 2.41% to close at 24,584, with both indices erasing the gains achieved for 2018. The tech-heavy Nasdaq Composite Index moved lower by 4.43% to 7108 - it's worst day since 2011.

In Canada, the S&P/TSX Composite Index fell 376 points or 2.46% to close at 14,909, bringing the Canadian index further into negative territory for the year at -8.02%.

Declines were led by the telecom and technology sectors in the U.S. (-4.9% & -4.4% respectively) and Healthcare and Information Technology in Canada (-6.04% & -3.88% respectively). Utilities, a defensive sector, proved the best performer in both the U.S. and Canada (+2.30% & +0.73%).

Demand for safe-haven assets rallied bond markets, sending U.S. Treasury yields lower across the curve, with the 10-year Treasury dropping 6 bps to yield 3.11%. Despite Bank of Canada raising its benchmark rate by 25 bps, the 10-year Canadian bonds yield was only modestly lower at 2.44%.



Source: Bloomberg Finance LP. Data as of October 24, 2018

The recent sell-off serves as a reminder that at this stage in the cycle we expect to see heightened volatility. Economic growth and corporate earnings continue to be strong, particularly in North America; however, investors are wary of signals that the music may be slowing. Signals that rising rates or inflationary measures are taking a toll on earnings can be key drivers of volatility going forward, and we are mindful of this in our portfolio positioning.

We believe that TDAM's approach to investing is well suited to these times. One of the fundamental principles of our Managed Solutions is to strive to properly diversify and protect investors against market events, such as yesterday's turmoil, to help keep investors on a path to meeting their long-term investment objectives.

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