



**Friday, February 14, 2020**

**Week in Review, February 14, 2020**

## **Special Focus: Climate and Diversity**

Markets continued their upward trajectory this week, despite ongoing concerns about the Coronavirus' potential impact on the global economy. For now, investors are encouraged by good corporate earnings results and a steady consumer sentiment. More than 77% of S&P 500 companies have reported earnings thus far, with roughly 72% of them beating analyst expectations, FactSet data shows. ([CNBC](#)). Consumer sentiment data released today beat expectations. The S&P ended the week up 1.6% the Dow Jones up 1.0%, and the Nasdaq up 2.2%. Meanwhile, the U.S. Treasury Department sold 30-year bonds at a record low yield of 2.061% this week.

The Sydney Morning Herald published a great interview with Jeremy Grantham last week. When asked what has held companies back from doing more to factor climate change into their business models, Mr. Grantham said “capitalism has this strange ability to kind of paralyze the altruistic part of humans.... So during the week you behave like a sociopath and as if you have no grandchildren, or as if you hate the ones you have. And then at the weekend you become a loving grandfather again.” He goes on to share perspectives on the financial benefits to investors of divesting from fossil fuels, and what he thinks holds university endowments back from divesting. Read the full interview [here](#). One company trying not to do more is one of the nation's largest banks. The bank has asked for regulatory permission to skip votes at its annual meeting on proposals asking the bank to report on greenhouse gas emissions tied to its lending ([Reuters](#)). This is in contrast to the bank's CEO having expressed support for the Paris Agreement and having signed the Business Roundtable's “Statement of Corporate Purpose” last year ([Business Roundtable](#)). Meanwhile, a major oil player announced it wants to be carbon neutral by 2050, though it has not shared how and though it only spends 3.2% of its budget on investing in renewable energy, less than half the industry average ([WSJ](#)). Thanks to all those who continue to push these companies to walk their talk!

Diversity data: A recent Bloomberg report highlights again the positive impact that diversity at fund managers can have on investment portfolios: when comparing 35 hedge funds managed by people of color or women to over 900 peer funds, Bloomberg found that those funds not led by white men outperformed their peers by a factor of nearly 2 to 1 ([Bloomberg](#)). Despite mounting evidence that diversity has a positive impact on returns, the financial services industry remains woefully behind in creating a diverse and inclusive environment. A House Financial Services Committee report released this month demonstrates the persistence of unequal opportunity in the banking sector. The Committee asked America's 44 largest bank holding companies and savings and loan holding companies to share their diversity data. Based on a review of this data, the Committee found that banks' board of directors are not diverse,

their senior employees are not diverse, and they have limited spending and investments with diverse firms. Read the full report [here](#). One way to improve the diversity in the financial services industry is for Congress to consider legislative action that requires banks to (a) share diversity and inclusion data with the Committee and the public and (b) track and make efforts to increase their spending with diverse firms. Right now, sharing this data is voluntary and no efforts to improve spending with diverse firms are required. We at RBC Wealth Management are proud to be a bank with strong gender and racial diversity!

Our office will be closed on Monday, February 17, 2020 for President's Day. We will return as usual on Tuesday, February 18, 2020.

As always, please reach out to us with any questions or commentary! Happy Valentine's Day and have a great weekend!

*Written by Thomas Van Dyck, Catherine Chen, and Michelle Levy*

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