MONTHLY InvestmentMonitor

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September in Review

Indices across the globe experienced volatility throughout the month of September, with the U.S. equity market (S&P 500 Index) rising 1.58%, and the Canadian equity market (S&P/TSX Composite Index) falling 3.99%. Despite the mixed performance, both U.S. and Canadian equity markets maintain solid year-to-date results of 13.96% and 12.20% respectively.

Bank of Canada (BoC) policy will march to the beat of its own drum – The BoC announced last month that its monetary policy will remain independent from the U.S. Federal Reserve (the Fed) and may even diverge depending on the state of the Canadian economy. Many economists expect the BoC to keep interest rates unchanged well into next year. In contrast, the Fed is expected to end its quantitative easing program in October, and most experts believe it will likely start raising interest rates mid-way through 2015.

The Fed maintains its dovish stance, or do they? – The Fed maintained its commitment to keep short-term interest rates near zero for a "considerable time" due to "moderate" growth in the economy. Despite rising inflation and improving employment in the U.S., the country is still below the Fed's long-term target and the Fed would like to see further improvement before raising interest rates. The risk: unexpected economic strength may speed up the timetable for a rise in interest rates, prompting a sudden surge in volatility that could put the brakes on growth.

U.S. dollar strength and what it means for markets – September saw the U.S. dollar hit the longest stretch of monthly gains since 1967. The primary driver of the currency surge was the Fed's signals of ending its monetary stimulus measures next year. From a Canadian perspective, the loonie depreciated roughly 2.5%, (a good omen for exports), as the country's trade surplus expanded and manufacturing grew to pre-2008 levels.

Meanwhile in Europe – Scotland voted to stay in the United Kingdom (U.K.) – in a referendum on independence – avoiding the breakup of the 307-year-old union. Over 55% of Scottish voters supported the "no" campaign while close to 45% sought independence, as a record turnout of more than 90% in 32 districts sealed the fate of Scotland. Markets reacted quickly to the news as U.K. shares helped lead European equities to a six-and-a-half year high and the pound rose to the strongest level in two years.

China shows signs of slow-down; causes markets to react – China's economy showed evidence of a slowdown with industrial production and foreign direct investment hitting multi-year lows in August. This has forced China's central bank into action, announcing that it will inject US$81 billion into their banking system in order to lift business confidence and investment following the string of weak economic data. Markets haven't reacted kindly to this news, as virtually every equity index saw declines in anticipation of the news out of China getting worse.

	Change (%)			Index
INDEX (C$)†	1 Mth	YTD	1 Yr	Level
Treasury bills (FTSE TMX Canada 60 Day T-Bill)	0.09	0.69	0.93	157
Bonds (FTSE TMX Canada Universe Bond)	-0.63	5.93	6.34	936
Canadian equities (S&P/TSX Composite)	-3.99	12.20	20.39	14,961
U.S. equities (S&P 500)	1.58	13.96	30.20	2,211
Global equities (MSCI World)	0.23	9.27	22.00	1,904
Emerging markets (MSCI EM)	-4.61	7.73	13.41	1,127

	Change (%)			Exchange
CURRENCIES†	1 Mth	YTD	1 Yr	Rate
C$/US$	-2.83	-5.12	-7.87	0.8932
C$/ Euro	1.01	3.24	-1.44	0.7071
C$/ Pound	-0.52	-3.10	-8.11	0.5509
C$/ Yen	2.33	-1.21	3.29	97.9190

	Change (%)			
COMMODITIES (US$)†	1 Mth	YTD	1 Yr	Price
Gold Spot ($/oz)	-6.18	0.21	-9.09	1,208.16
Oil WTI ($/barrel)	-5.00	-7.38	-10.92	91.16
Natural Gas ($/MMBtu)	1.38	-2.58	15.76	4.12

† As at September 30, 2014. Source: Bloomberg.

Did you know?

In April 2014, the Federal Government appointed its first Financial Literacy Leader following a recommendation from a task force on financial literacy.

Don’t stop thinking about tomorrow

If you have been putting off planning for your financial future until you feel you have a firm grasp of financial concepts, you’re not alone. Recent research actually downplays the relationship of financial education to financial well-being.[1] It seems the way to get ahead financially might be to take a page from a certain sportswear company and “just do it!”

In fact, the study suggests that the best approach to financial literacy may actually be simply learning as you go. They call it “just-in-time” financial education. It means you are more likely to search out and remember a financial concept when it is tied to a financial decision affecting your life. You still become financially literate — but you do it while you are executing your financial plan, and, ultimately, living your life.

So, if you don’t have a financial plan, now might be the right time to get started. Here are a few simple but effective concepts to get you thinking:

- **Time value of money.** You’ve probably heard the saying: One in the hand is worth two in the bush. This is the same concept. The money you save today is worth more than the money you have promised yourself you will save next year.
- **Pay yourself first.** This is a mainstay of investment planning and, it’s as straightforward as it sounds. Setting aside a set amount on a regular basis makes saving easy and convenient, helps you stick to your plan and takes the guesswork out of when to invest.

You don’t need to delay planning for your future. By talking to an advisor you’ll be able to define your goals and create a roadmap geared to helping you reach them.

[1] Source: Daniel Fernandes, John G. Lynch, and Richard G. Netemeyer , “Financial Literacy, Financial Education and Downstream Financial Behaviours”, Jan 2014.