MONTHLY
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December in Review

Crude oil continued to slide in December, closing 19.60% lower than the previous month. Canadian equities responded by retreating 0.44% for the month, while emerging markets were dragged down 3.20%, respectively. In the U.S., the S&P 500 ended 1.29% higher, bucking the trend of the other major markets.

Crude oil takes a plunge. The rapid and steep decline in crude oil prices were the centre of attention in December, as the price of 'black gold' dropped for five consecutive weeks. Although the price rebounded from its lows, analysts do not predict a return to higher prices until sometime in 2015, when producers are expected to respond to supply imbalances by reducing their output. The S&P/TSX Composite Index faced increased volatility, while the Canadian energy sector suffered the brunt of the impact, with many companies significantly lowering their spending plans for 2015 as they react to the low price environment.

Russian economy feels the bite of cheaper oil. As a result of declining oil prices, the Russian economy suffered another major blow lowering government revenues. The Russian ruble responded by falling to record lows against the U.S. dollar, prompting the Central Bank of Russia to raise interest rates from 10.5% to 17.0% in an effort to support their currency. Consumers flooded shopping malls and stores as they rushed to spend their money in the hopes of avoiding any further loss of purchasing power.

Not so fast - inflation slows its pace. Both the U.S. and Canada experienced slower-than-expected inflation during November, largely due to sharply lower fuel prices at the pump. In the U.S., the price of a common basket of goods, as measured by the Consumer Price Index (CPI), slowed to an increase of 1.3% over the last twelve months. In November alone, prices experienced their largest decline since December 2008, falling 0.3%. In Canada, annual inflation slowed to 2.0%, lower than October's reading of 2.4%, according to Canadian CPI data.

Economic recovery continues in North America. Canada's gross domestic product (GDP) grew 0.3% in October, at the high end of estimates. The manufacturing sector provided the bulk of the gains, with output growing 0.7% compared to an expected decline of 0.6%. Economists now expect fourth quarter GDP to also come in higher than the consensus view, potentially indicating increasing business and consumer activity nationwide. The U.S. Commerce Department revised their third quarter GDP estimate from a healthy 3.9% increase to a robust 5.0%, the fastest pace of quarterly growth recorded since the summer of 2003. Consumer spending and business investment were the main drivers of the upward revision.

Advice is like snow - the softer it falls, the longer it dwells upon, and the deeper it sinks into the mind.

Samuel Taylor Coleridge

INDEX (C$)†	Change (%) 1 Mth	Change (%) YTD	Change (%) 1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.08	0.91	0.91	157
Bonds (FTSE TMX Canada Universe Bond)	0.56	8.79	8.79	961
Canadian equities (S&P/TSX Composite)	-0.44	10.55	10.55	14,632
US equities (S&P 500)	1.29	24.24	24.24	2,391
Global Equities (MSCI World)	-0.04	15.46	15.46	1,985
Emerging markets (MSCI Emerging Markets)	-3.20	6.98	6.98	1,110

CURRENCIES†	Change (%) 1 Mth	Change (%) YTD	Change (%) 1 Yr	Exchange Rate
C$/ US$	-1.76	-8.59	-8.59	0.86
C$/ Euro	1.09	3.84	3.84	0.71
C$/ Pound	-1.34	-2.83	-2.83	0.55
C$/ Yen	-0.83	3.96	3.96	103.04

COMMODITIES (US$)†	Change (%) 1 Mth	Change (%) YTD	Change (%) 1 Yr	Price
Gold Spot ($/oz)	0.73	-1.86	-1.86	1,184.10
Oil WTI ($/barrel)	-19.60	-41.59	-41.59	53.27
Natural Gas ($/MMBtu)	-29.28	-33.83	-33.83	2.89

†As at December 31, 2014. Source: Bloomberg

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The Power of Advice

While most of us go about our day-to-day lives enjoying our well-established routines, periodically we're all thrown a curve ball. Maybe your car starts making clanking noises or that quick dash out the door results in a nasty fall. Generally, we don't hesitate to reach out to experts for advice in these situations – whether that's a mechanic for our car, or a medical professional for ourselves.

Yet, when it comes to our finances, Canadians can be more reluctant to seek professional advice — even though there are many benefits to doing just that. For example, recent research* on the value of advice of a financial advisor has found that households that work with a financial advisor tend to accumulate more financial assets than those that don't and are also likely to have a greater feeling of confidence about their financial future.

The study gives interesting insight into the power of advice:

1) People working with an advisor tend to take a more disciplined approach to asset allocation, with the result that their investment portfolios are typically more diversified.

2) Households working with advisors generally start the advice relationship with "modest levels of financial assets."

Contrary to what many believe, you do not have to have a large nest egg to start working with an advisor. And the earlier you start that relationship, the better. The research showed investors who worked with an advisor for more than 15 years accumulated 2.73 times the level of financial assets than those who did not receive advice.

Perhaps not surprisingly then, seeking out advice, whether it's for your car, your personal or financial health, is part of a good overall strategy. And, in the case of financial advice, taking that step has been proven to improve your chances of meeting your financial goals. The beauty of any great advice relationship means that you're not alone in charting a course of action and, knowing where you want to go, is always the first step in getting there.

* *Economic Models on the Value of Advice of a Finanical advisor*
Claude Montmarquette, Nathalie Viennot-Briot (2012)

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