MONTHLY InvestmentMonitor

APRIL 2015

March in Review

Despite positive economic indicators, equity markets in North America retreated in March. In Canada, the S&P/TSX Composite Index pulled-back -1.88% driven by a decline in the financials, energy and materials sectors; the three sectors make up over 60% of the index. Meanwhile in the U.S., a stronger dollar was partly responsible for the S&P 500 contracting -0.25% in March.

Canadian economy continues to grow. Data released in early March by Statistics Canada showed that the Canadian economy grew at a faster-than-expected annualized rate of 2.4% in the fourth quarter of 2014, surpassing the U.S. economy's growth of 2.2% during the same period. The Bank of Canada (BoC) had mentioned earlier in the year its opinion that a strong U.S. economy would benefit Canada's growth, and in its March update indicated that it still held that belief, while holding interest rates steady at 0.75%.

At the end of March, Finance Minister Joe Oliver was in Toronto to inaugurate the opening of North America's first Chinese currency trading hub, allowing businesses in both nations to transact in each other's currency directly, saving on fees and costs. The Canadian Chamber of Commerce believes that the hub could help grow exports to China by as much as $32 billion, while reducing transactions costs for exporters by $2.8 billion over a decade.

Strong U.S. dollar makes itself felt. Addressing a group of business economists, White House Chief Economist Jason Furman spoke about the impact of a strong greenback on the U.S. economy, noting that some of the negative effects have been offset by lower oil prices. A higher USD lowers the overseas profits of American corporations, however, some companies are taking advantage of the stronger dollar by borrowing in foreign currencies, including the Euro, which fell to 12-year lows against the USD in March.

The U.S. Federal Reserve (Fed) signalled it was taking a step closer to raising interest rates by not using the word "patience" in their monetary policy communication but with Fed Chair Janet Yellen also saying "Just because we removed the word 'patient' from the statement doesn't mean we're going to be impatient."

Global growth appears to be on the horizon. Central banks globally were active with their interest rate policies in March, with three central banks raising rates and nine lowering them. Among those, the European Central Bank held its key rate steady at 0.05% and began its U.S. style quantitative easing program, while raising its economic forecasts higher to 1.5% this year and 1.9% next year.

The Organization for Economic Co-operation and Development released its latest projections, and also raised its global growth forecasts, now seeing 4.0% growth this year and 4.3% in 2016. At the start of the National People's Congress in China, Premier Li Keqiang announced a GDP growth target of "around seven percent" in 2015, the lowest in 11 years. China's GDP grew 7.4% last year, its slowest pace in 24 years, after having grown 7.7% in 2013.

INDEX (C$)†	Change (%) 1 Mth	Change (%) YTD	Change (%) 1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.05	0.23	0.91	157
Bonds (FTSE TMX Canada Universe Bond)	-0.32	4.15	10.26	1,000
Canadian Equities (S&P/TSX Composite)	-1.88	2.58	6.92	14,902
U.S. Equities (S&P 500)	-0.25	10.19	29.46	2,621
Global Equities (MSCI World)	-0.17	11.85	22.52	2,207
Emerging Markets (MSCI Emerging Markets)	-0.08	11.58	15.71	1,235

CURRENCIES†	Change (%) 1 Mth	Change (%) YTD	Change (%) 1 Yr	Exchange Rate
C$/US$	-1.40	-8.38	-12.88	0.79
C$/Euro	2.84	3.29	11.78	0.73
C$/Pound	2.68	-3.67	-2.03	0.53
C$/Yen	-0.94	-8.11	1.37	94.69

COMMODITIES (US$)†	Change (%) 1 Mth	Change (%) YTD	Change (%) 1 Yr	Price
Gold Spot ($/oz)	-2.54	-0.19	-8.09	1,183.20
Oil WTI ($/barrel)	-8.71	-13.39	-47.95	47.60
Natural Gas ($/MMBtu)	-4.73	-9.09	-34.15	2.64

†As at March 31, 2015. Source: Bloomberg

Did you know?

In the same way you can reduce the amortization on your mortgage by making bi-weekly rather than monthly payments, you can also arrive at your savings goals quicker by setting your pre-authorized payments to run more frequently.

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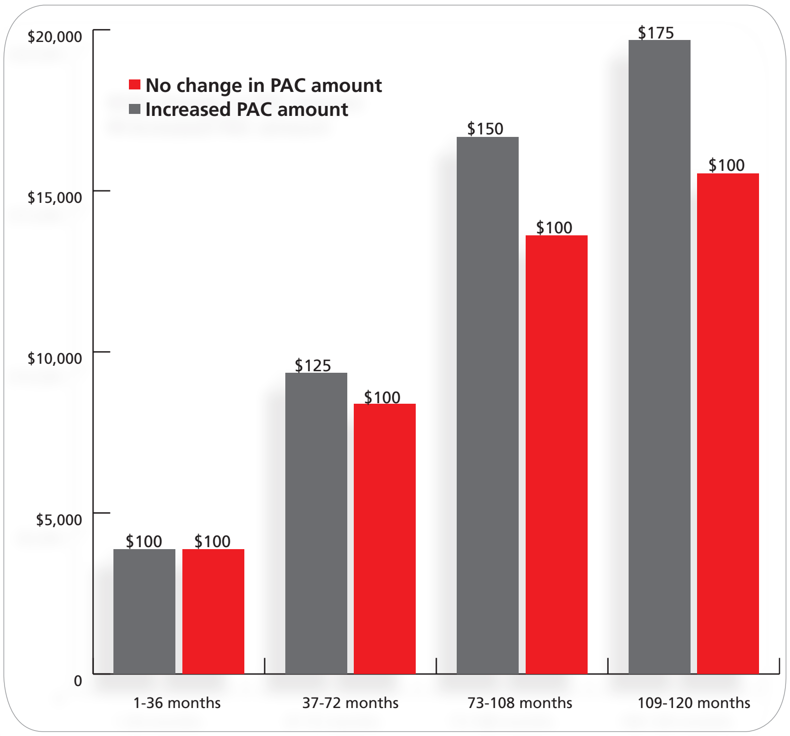
A Goal Without A Plan Is Just A Wish

A piggy bank without the coins is just an ornament, just like a goal without a plan is just a wish. One of the simplest ways to plan for your future, especially retirement, is to tackle it one step at a time.

While half of Canadians profess to regularly adding to their investments[1], there can be a "set it and forget it" mind-set that reduces the likelihood of revisiting the conversation when financial circumstances change.

Plan the work and work the plan

Over the course of a lifetime, it's common to experience significant changes in cash flow. Student loans may get paid off, daycare and children's extra-curricular expenses eventually reduce, loans are paid off, and mortgages are chipped away. At the same time, careers change and disposable income levels are likely to rise over the course of a career. Left unchanged, the regular contributions that you made when you first started saving could put you at a disadvantage, especially if you want to replace your current income in retirement.



Consider the following example[2] of two investors who each start saving $100 on a monthly basis for 10 years. The first investor faithfully continues saving but doesn't revisit their plan as their income grows and expenses decrease. The second investor also contributes, but recalibrates their monthly contribution by $25 every 3 years. After 10 years, the investor who increased their savings every 3 years accumulated over $4,000 more than the investor who didn't - a significant difference in accumulated wealth. While having a plan to regularly invest without thinking about it is a great practice, consider the difference it can make by simply revisiting the plan regularly. Thanks to the power of compounding, this incremental increase is given added legs.

Setting up regular contributions and reviewing the plan regularly is a great way of funding your future.

[1] Scotiabank Customer Knowledge & Insights, 2014 Investment Poll, December 2014 (online survey conducted by Nielsen).

[2] For illustrative purposes only. The example uses a hypothetical rate of return of 5.0%, assumes reinvestment of all income, and does not include transaction costs, fees or taxes. The example does not reflect actual results or the returns or future value of an actual mutual fund or any other investment.

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