

## May in Review

May performance was driven by renewed strength in the U.S. dollar, rising long-term bond yields, lower crude oil prices and continued concerns over economic sluggishness.

**U.S. dollar strength returns due to rate hike expectations.** The greenback's strength returned to prominence in May, rising 3.1%, 2.1% and 4.0% against the loonie, euro and Japanese yen respectively. Despite the U.S. economy contracting -0.7% in the first quarter, Federal Reserve (Fed) Chair Janet Yellen still expects to "take the initial step to raise the federal funds rate target" at some point this year. Equity markets in the U.S. seemed to ignore the Fed's pronouncement, as markets posted positive returns for the month (equity prices typically fall, when interest rates rise).

**Key crude oil players continue to battle.** Crude oil prices reversed some of their gains in May. Investors continued to look for signs that global oil supply would buck the decade-long trend and begin to decline. The Organization of the Petroleum Exporting Countries (OPEC) consists of 13 member countries that control about 40% of the world's oil market, and aims to stabilize prices by adjusting production levels. OPEC is expected to maintain its quota when it meets in Vienna in June. OPEC continues to battle for market share against U.S., Canadian and other oil producers. This battle could be compounded with the potential lifting of economic sanctions in Iran, and a possible million new barrels a day flooding into the global market, which could cause overall supply to spike. Canadian equity markets were affected by declining oil prices, as the heavily weighted energy sector pulled back -6.0% in May.

**China's equity markets continue to defy their economy.** China's economy continued to face headwinds in May. Demand for Chinese-produced exports shrank, prompting companies to shed jobs and causing further uncertainty for businesses and consumers alike. Slumping exports reinforced the view that the People's Bank of China (PBoC) would have to continue to stimulate the economy, despite already cutting interest rates three times in six months. Despite the economic overhang, Chinese equity markets continued to roar along in May, increasing 3.9% (up 42.8% year-to-date) in local currency terms. Analysts are questioning this exuberance, indicating that prices are starting to look overvalued relative to fundamentals.

**Bond turbulence yields some important lessons.** While not normally synonymous with volatility, bond markets exhibited some turbulence in May. Yields rose across the globe, confounding many market experts. Despite the short-term spike in the first half of the month, bond prices quickly stabilized in the latter half, posting small, yet positive results and smoothing out returns for those that stayed invested.

INDEX (C\$) <sup>†</sup>	Change (%)			Index Level
	1 Mth	YTD	1 Yr	
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.06	0.31	0.86	157
Bonds (FTSE TMX Canada Universe Bond)	0.20	2.94	7.19	989
Canadian Equities (S&P/TSX Composite)	-1.22	3.79	5.91	15,014
U.S. Equities (S&P 500)	4.41	10.78	28.76	2,626
Global Equities (MSCI World)	3.52	13.08	22.41	2,217
Emerging Markets (MSCI Emerging Markets)	-1.02	13.45	14.08	1,251

CURRENCIES <sup>†</sup>	Change (%)			Exchange Rate
	1 Mth	YTD	1 Yr	
C\$/US\$	-3.04	-6.67	-12.97	0.80
C\$/Euro	-0.99	2.74	7.71	0.73
C\$/Pound	-2.65	-4.92	-4.84	0.53
C\$/Yen	0.87	-3.25	6.15	99.70

COMMODITIES (US\$) <sup>†</sup>	Change (%)			Price
	1 Mth	YTD	1 Yr	
Gold Spot (\$/oz)	0.54	0.33	-5.57	1,189.80
Oil WTI (\$/barrel)	-0.68	7.18	-35.32	60.30
Natural Gas (\$/MMBtu)	-5.71	-12.28	-35.97	2.64

<sup>†</sup>As at May 31, 2015. Source: Bloomberg

### Did you know?

Canada's household saving rate, defined as the ratio between net saving of the household and the disposable income, dipped to 3.6% in the last quarter of 2014. By contrast, in 1982, the rate was as high as 19.9%.

Source: <http://www.statcan.gc.ca>.

## Budgeting For Life

Very few people get through life without needing to save for something. From saving for a much needed vacation to funding your Registered Retirement Savings Plan (RRSP), virtually any goal can be accomplished with enthusiasm and a plan of action. Life is rarely predictable and budgeting for major life events can help you enjoy each stage more fully. As a tribute to David Letterman's recent final sign-off from the Late Show, we've put together our top 10 tips that could help you overcome some of the hurdles standing between you and your goals.

### Top 10 Tips for Money Management

#### 10. Starting small is fine....just start!

As the expression goes, a journey of a thousand miles starts with a single step.

#### 9. Earmark funds for an emergency.

Having an emergency fund can take some of the pressure off when you encounter unexpected bumps along the way. The general rule of thumb is to consider setting aside approximately three months' salary.

**8. Don't get overwhelmed.** Rather than focus on the big-ticket cost, such as post-secondary education that could cost more than \$100,000\*, focus on the monthly savings and work with an advisor to tap into as many government programs as you're eligible for.

#### 7. Investigate employee benefits.

Some employers match their employee's RRSP contributions as part of their benefits package. Be sure to find out if you're eligible to enroll in this type of program at your workplace.

**6. Know your limits.** Fairy-tale wedding? Trip of a lifetime? Determine a realistic maximum amount you're willing to spend and then budget accordingly.

**5. Become part of the sharing economy.** Not everyone needs their own ladder. Borrow from friends and family whenever you can or consider renting the item that you rarely need. The bonus? You free up storage space as well.

**4. Take time to look at the big picture.** Consider paying down debt faster by consolidating your owed balances at a lower rate.

**3. Be honest with yourself about your goals and spending habits.** Reassess your budget at least annually and prioritize your spending. If you're in a relationship, ensure you are both on the same page with regards to shared expenses.

**2. Keep an eye on your personal balance sheet.** Knowing your net worth will help you understand the impact of your monthly spending and keep the short - and long-term goals in perspective.

And the **number one** tip for money management is: **pay yourself first.** Even small amounts saved regularly add up to large amounts eventually. Your advisor can help you setup a pre-authorized

contribution.

Good money management is less about doing one big thing as a means to success and more about thinking through all the little ways to make the most of what you have.



\* Canadian Centre for Policy Alternatives, Statistics Canada, September 2013.