MONTHLY
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July in Review

Global equity markets of note, posted mixed results in July amidst increased volatility. Chinese equity market experienced its worst monthly drop in six years. Commodities declined considerably as a result, over fears of weakening global demand coupled with oversupply. On a brighter note, U.S. equities performed relatively well, backed by a rosier economic picture. European equities also performed well as concerns subsided over Greece exiting the eurozone and any contagion effect that might bring.

Canadian economy shrinks further. Canada's gross domestic product growth – a primary indicator of economic health – fell by 0.2% in May, marking the fifth consecutive month of declines, according to Statistics Canada. June's figures will hinge on whether the country technically enters into a recession, which is defined by six consecutive months of negative growth. For the second time this year, the Bank of Canada cut interest rates to help stimulate the economy, which was impacted by falling commodity prices. Crude oil and copper prices– considered a strong indicator for global economic activity – fell, alongside gold, which hit a five-year low.

U.S. economy bounces back. U.S. economy grew by 2.3% in the second quarter, falling short of economists' expectations. Growth was attributed to a surge in consumer spending and a recovering exports sector. U.S. Federal Reserve (Fed) Chair Janet Yellen indicated that if their forecasts for economic growth and lower unemployment are achieved, the Fed is likely to raise interest rates for the first time in nine years.

Ongoing Greek debt negotiations quell eurozone. Concerns over Greece's debt crisis continued, as government officials and international creditors were back at the table to discuss a third bailout package, this one worth approximately €85 billion. On July 5th, Greeks voted no in a referendum vote to more austerity, rejecting conditions of a bailout package. By mid-month the Greek government passed unpopular austerity measures through its parliament, as a condition of returning to the negotiating table with the European Union and International Monetary Fund.

China's economic growth beats expectations, but stock market takes a beating. The world's second-largest economy posted economic growth of 7% from a year ago, slightly higher than the 6.9% growth economists were expecting. Growth was supported by yet another round of interest rate cuts, but was not enough to buoy the domestic stock market, over which concerns that the overall pace of growth has cooled considerably.

Words from the Wise

An interest rate cut by the Bank of Canada is a macro event that may have a short-term impact on the Canadian market. But it is important to remember that we are not macro investors. We are keenly aware that our edge will come from sticking to our discipline of investing in businesses.

Adam Donsky, Portfolio Manager,
Scotia Canadian Balanced Fund

INDEX (C$)†	Change (%) 1 Mth	YTD	1 Yr	Index Level
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.07	0.44	0.83	158
Bonds (FTSE TMX Canada Universe Bond)	1.44	3.84	7.10	998
Canadian Equities (S&P/TSX Composite)	-0.32	0.59	-2.86	14,468
U.S. Equities (S&P 500)	6.65	16.03	33.10	2,743
Global Equities (MSCI World)	6.37	17.72	26.38	2,302
Emerging Markets (MSCI Emerging Markets)	-2.72	7.75	4.03	1,176

CURRENCIES†	Change (%) 1 Mth	YTD	1 Yr	Exchange Rate
C$/US$	-4.52	-11.20	-16.67	0.76
C$/Euro	-3.21	-2.21	1.58	0.70
C$/Pound	-4.00	-11.46	-9.93	0.49
C$/Yen	-3.47	-8.16	0.42	94.64

COMMODITIES (US$)†	Change (%) 1 Mth	YTD	1 Yr	Price
Gold Spot ($/oz)	-6.72	-7.75	-15.00	1,095.10
Oil WTI ($/barrel)	-21.24	-18.05	-49.09	47.12
Natural Gas ($/MMBtu)	-4.43	-9.80	-28.73	2.72

†As at July 31, 2015. Source: Bloomberg

Pension Plans - An Ensemble

Planning for retirement is never easy but it helps if you remember that the cornerstone of any retirement plan is pension income — from the Canada Pension Plan (CPP), Old Age Security (OAS) and, if you are among the approximately 40%* of Canadians, your workplace pension.

Government pensions

If you have worked in Canada, you have probably contributed to the CPP (Quebec Pension Plan for people working in Quebec). If so, once eligible, you will receive a monthly amount that essentially reflects the amount you contributed over the course of your working career. (Service Canada tracks your contributions; to get your "Statement of Contributions" call 1-800-277-9914 or go online to CPP Contributions.) CPP is indexed and presently ranges from about $600 to $1,000 a month.

You can apply for CPP as early as 60 or as late as 70. If you take CPP early, your monthly payment is reduced, but you receive your pension for longer. You can continue to work after you start receiving CPP but you will also continue to contribute to the plan. When to apply for CPP depends on your personal circumstances; talk to your financial advisor.

OAS, on the other hand, is a government-funded pension that is not dependent on your employment history. To qualify, you must be 65 and meet legal and residential requirements. To determine how much you will receive check out Service Canada's Canadian Retirement Income Calculator.

Workplace pensions

The terms and benefits of workplace pensions vary by employer but they generally fall into two broad categories: defined benefit (DB) and defined contribution (DC). With a DB plan, the monthly amount you receive upon retirement is known in advance. You pay into a pooled plan, usually via payroll deductions, controlled by a plan administrator. Oftentimes your employer will make contributions on your behalf. With a DC plan, you and your employer typically contribute a set percentage of your salary and you can usually choose from several investment options. The income you will receive in retirement is not known in advance, and is impacted by the amount you contribute to the plan and the investment selections you make.

It's important to remember that the rest of your retirement income will come from your personal savings. Building on the foundation of your pension income, you and your advisor can determine how much you need to accumulate to enjoy the retirement you envision.

*Source: Statistics Canada, January 2013.