

## September in Review

Equity markets around the globe declined in September as volatility continued the pace it had set in August. Driving the global uncertainty were a weaker Chinese economy and questions around the U.S. recovery, as the Federal Reserve (Fed) decided to hold interest rates steady.

**Canada falls into 'technical' recession...** September saw a number of economic data releases which had a generally negative impact on Canadian equity markets. GDP for the six months that ended June 30, showed that the Canadian economy fell into a 'technical' recession. The silver lining however, is that GDP grew by 0.3% in July. In addition, some market experts suggest that the downturn appears to be isolated within the resource sector, as opposed to the broader economy.

**...And holds interest rates at current levels.** The state of the economy prompted Bank of Canada Governor Stephen Poloz to hold interest rates steady, saying that its two rate cuts earlier this year are still working their way through the economy. Although the economy may technically be in recession, the Federal government announced a surprise budget surplus of \$1.9 billion, for the first time since 2007-8. With the nation in the middle of an election cycle, continued weakness in the commodity sector, and increased market volatility, Canadian equities were dragged lower with their global peers last month, closing down 3.7%.

**The Fed holds interest rates firm.** By far, the most heavily watched news event of September was the Fed's meeting to determine the direction of interest rates. While many expected the Fed to raise rates for the first time in years, Fed Chair Janet Yellen opted to hold rates at their current levels as a result of "heightened uncertainties abroad." Shortly after the rate announcement, Chair Yellen indicated that "it will likely be appropriate to raise the target range of the federal-funds rate sometime later this year and to continue boosting short-term rates at a gradual pace thereafter." Globally, equity markets declined 2.3% on concerns that the health of the global economy was shaky. Bonds prices climbed as investors sought safety relative to equities, while U.S. equities ended the month 1.1% lower.

**Europe could add more stimulus to its economy.** Slower trade with China squarely focused the European Central Bank's (ECB) attention on increasing output and stimulating economic growth. Despite economists concern for the region's economy the European Union's economic chief Pierre Moscovici believes that the trading bloc has the tools it needs to withstand a potential global economic downturn, saying "European economies are able to weather what is happening in the Chinese market." The ECB is also ready to inject more stimulus into the economy if needed, in a bid to boost inflation and business activity.

INDEX (C\$) <sup>†</sup>	1 Mth	Change (%)		Index Level
		YTD	1 Yr	
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.03	0.51	0.73	158.05
Bonds (FTSE TMX Canada Universe Bond)	-0.27	2.52	5.29	985.23
Canadian Equities (S&P/TSX Composite)	-3.67	-7.02	-8.39	13,306.96
U.S. Equities (S&P 500)	-1.10	9.25	18.80	2,572.46
Global Equities (MSCI World)	-2.29	8.90	14.15	2,119.46
Emerging Markets (MSCI Emerging Markets)	-1.61	-2.26	-3.17	1,061.19

CURRENCIES <sup>†</sup>	1 Mth	Change (%)		Exchange Rate
		YTD	1 Yr	
C\$/US\$	-1.29	-12.70	-15.90	0.7512
C\$/Euro	-1.00	-5.51	-4.96	0.6720
C\$/Pound	0.14	-10.10	-9.86	0.4966
C\$/Yen	-2.40	-12.62	-8.04	90.0450

COMMODITIES (US\$) <sup>†</sup>	1 Mth	Change (%)		Price
		YTD	1 Yr	
Gold Spot (\$/oz)	-1.53	-6.06	-8.31	1,115.20
Oil WTI (\$/barrel)	-9.69	-23.30	-48.24	45.09
Natural Gas (\$/MMBtu)	-8.58	-20.38	-37.09	2.52

<sup>†</sup>As at September 30, 2015. Source: Bloomberg

### Did you know?

The June 2015 enhancements to the Universal Child Care Benefit (UCCB) will more than double the number of families that benefit, from 1.6 million to 4 million. Families will now receive up to \$1,920 per year for each child under 6 and up to \$720 per year for each child aged 6 through 17.

Source: Government of Canada

## Higher Cost of Education

Statistically speaking, chances are your child will seek some form of post-secondary education – be it community college, university or an apprenticeship. This will come at a potentially staggering cost to you or your child.

The cost of education in Canada is rising, and estimates suggest that the average cost of a 4-year degree in Canada will climb to \$32,298 by 2022<sup>1</sup>.

As the cost of education rises, Canadian parents are picking up some or all of the tab in greater numbers, with 77% of parents contributing to their child's tuition, and 79% paying for all or part of their living expenses<sup>2</sup>. For some parents, contributing to their child's education can mean dipping into their retirement savings, taking out a loan or getting a second job.

Registered Education Savings Plans, or RESPs, are a popular way to set aside some money for your child's or grandchild's education and allowing it to grow tax-deferred until you need it to pay for school. One of the easiest ways to use an RESP to grow your education fund is to take the government's money off the table, and put it to work for you.

The Universal Child Care Benefit (UCCB) is a taxable \$160 monthly payment to families for each child under the age of six and \$60 for children between 6 to 17 years of age.

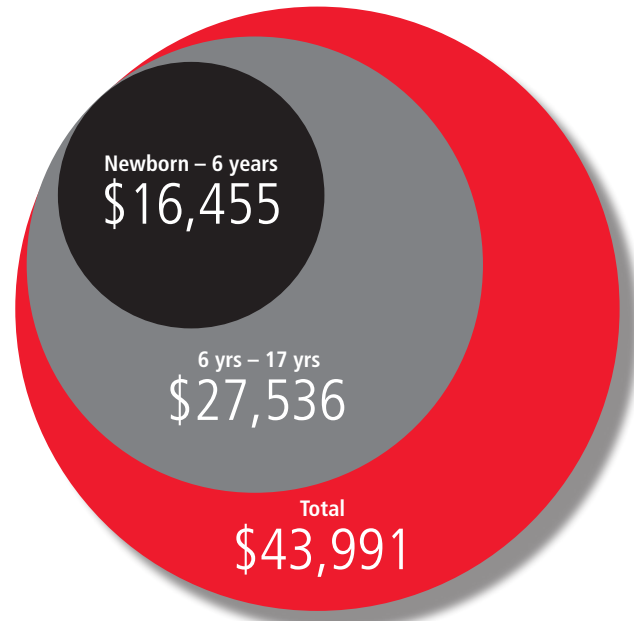
In addition, those eligible for the Canada Education Saving Grant (CESG) can receive a grant of 20% for every dollar of the first \$2,500 contributed to an RESP each year.

This means that if you deposit the UCCB into an RESP, you will receive an additional \$384 in grant money each year. The illustration above shows that if you contribute nothing but the UCCB, and collect the CESG on top of that, you would save \$2,304 per year over the first six years, for a total of \$16,455<sup>3</sup>. If you continue this approach, the accumulated savings could reach over \$40,000<sup>3</sup> by the time your child is ready for college or university.

While the potential cost of education may be daunting, your Scotiabank® advisor can help you plan and invest so saving for it doesn't have to be.

## A Simple Way to Save a Lot<sup>3</sup>

Saving the Universal Child Care Benefit in an RESP – and collecting the Canada Education Savings Grant – is an easy way to save for your child's education.



<sup>1</sup>Statistics Canada, as of September 2015. Figure reflects tuition costs only and excludes living/compulsory costs. Assumes a 3.3% annual increase in the cost tuition. <sup>2</sup>The Canadian Alliance of Students Associations (CASA), August 2014. <sup>3</sup>For illustrative purposes only. Assumes annual lump sum contributions, an annual compound rate of return of 5%, reinvestment of all income, and no transaction costs or taxes. The rate of return is hypothetical in nature and not indicative of any specific investment. Contributions include investment of the Universal Child Care Benefit (UCCB) and receipt of the Canada Education Savings Grant (CESG).

**We asked kids a question:**  
How much do you think school will cost?

Click [here](#) to see what all they had to say!



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