

October in Review

Canadian and global equity markets posted strong returns in October, while bonds were essentially flat. The price of crude oil increased in October to close at \$US46.59 per barrel.

Liberal Party wins majority government, which bodes well for the economy. Justin Trudeau became Canada's 23rd Prime Minister, as the Liberal party won 184 of 338 seats across the country. Economists were quick to weigh in, and generally agreed that the Liberal's proposed deficit spending should be positive for the economy, as should a proposed tax cut for the middle class. The Bank of Canada announced it would hold interest rates steady during the month and released its own assessment of the economy, anticipating growth of 2% in 2016. Canadian investors appeared to view the month's events positively, as Canadian equities closed 1.9% higher.

U.S. economy grows; earnings season kicks off. The U.S. economy grew by 1.5% in the third quarter, only slightly below estimates, according to preliminary data from the Bureau of Economic Analysis. Business spending declined, but consumer spending remained strong as Americans had more money in their pocket due to lower gasoline prices. Despite the uptick in the economy, the U.S. Federal Reserve (Fed) continued to hold rates at the same level they have been since December 2008. However, the Fed hinted that a rate hike could come sooner rather than later. U.S. equities climbed 5.8% in October.

China abandons the "one-child policy" and cuts rates. The Chinese government repealed its almost 40-year old "one-child" policy, which penalized families who had more than one child to keep its soaring population in check. Abolishing the policy is expected to be positive for China's long-term growth, as the nation now faces ongoing concerns about its economy as well as an aging population. It has been estimated that the birth rate in China could potentially increase by 5% to 10% as a result, and may benefit foreign multinationals who sell to Chinese consumers. The second action the government took to support the economy was to cut interest rates by 0.25%, making it cheaper for consumers and businesses to borrow and make capital investments. The People's Bank of China stressed that it has additional room to ease rates if needed. Emerging market equities rose 4.5% over the month.

INDEX (C\$) [†]	1 Mth	Change (%)		Index Level
		YTD	1 Yr	
Treasury Bill (FTSE TMX Canada 60 Day T-Bill)	0.03	0.54	0.76	158.10
Bonds (FTSE TMX Canada Universe Bond)	-0.26	2.26	5.01	982.70
Canadian Equities (S&P/TSX Composite)	1.96	-5.20	-6.60	13529.17
U.S. Equities (S&P 500)	5.83	15.62	25.72	2718.97
Global Equities (MSCI World)	5.36	14.74	20.28	2230.50
Emerging Markets (MSCI Emerging Markets)	4.56	2.20	1.25	1108.64

CURRENCIES [†]	1 Mth	Change (%)		Exchange Rate
		YTD	1 Yr	
C\$/US\$	1.80	-11.13	-14.39	0.7647
C\$/Euro	3.38	-2.32	-1.75	0.6947
C\$/Pound	-0.20	-10.28	-10.04	0.4956
C\$/Yen	2.41	-10.51	-5.83	92.2140

COMMODITIES (US\$) [†]	1 Mth	Change (%)		Price
		YTD	1 Yr	
Gold Spot (\$/oz)	2.35	-3.85	-6.16	1141.40
Oil WTI (\$/barrel)	2.26	-21.63	-46.49	46.59
Natural Gas (\$/MMBtu)	-14.07	-31.29	-44.21	2.32

[†]As at October 30, 2015. Source: Bloomberg

Did you know?

According to a 2014 study by the Investment Funds Institute of Canada, Financial Advisors add value by encouraging more disciplined saving and investment behaviour. As a result, individuals who receive financial advice save a larger portion of their income and can improve their retirement readiness.

Source: Boosting Retirement Readiness and the Economy through Financial Advice, IFIC, 2014.

Change can be good, for your pocketbook

A few ways the Liberal Government's proposed changes could benefit you

A Liberal victory swept the country on October 19th, vaulting Justin Trudeau to Prime Minister. With this shift, there are a number of ways your personal finances should change under the new government, which are primarily focused on helping the middle class.

Some of the highlights include:



Image by: Day Donaldson

TAX CUTS

The income tax rate for Canadians earning between **\$44,700 and \$89,401** will fall by

1.5% to 20.5%



– a cut that could save you as much as **\$670 per year**.

NEW CHILD BENEFITS

A new Canada Child Benefit will replace the current scheme and provide an extra **\$2,500**, tax-free, each year for a typical family of four, but higher-income families will be excluded.



RETIREMENT BENEFITS

Prime Minister Trudeau's Liberals stated that they will maintain the current age of eligibility **for Old Age Security at 65**, as well as retain pension income splitting for seniors. They have also discussed working with the provinces **to increase Canada Pension Plan benefits**.



EMPLOYMENT INSURANCE PREMIUMS

Employees currently pay **\$1.88** for every **\$100** of insurable earnings, but will see premiums fall **\$0.23 to \$1.65** as of 2017.



These changes will provide many Canadians with additional cash flow, and the question of what to do with it. One option to consider is to invest the additional cash flow with pre-authorized contributions - it's an easy and automatic way to reach your goals.

Whatever your goals are, a Scotiabank® advisor can help bring them to life with a customized financial plan that makes the most of your money.

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