MONTHLY
# InvestmentMonitor
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## August in Review

Key global equity markets all pushed higher in August, led by Emerging Markets +2.96%, the U.S. +0.57% and Canada +0.27%. The price of a barrel of oil also moved higher, climbing 5.60% to close at US$44.70.

**It's still all about the economy.** Canadian Finance Minister Bill Morneau, facing slow growth and a swelling trade deficit, acknowledged that the government needed to do more to reinvigorate the lacklustre economy. "We recognize that growth is a real challenge and something that we need to think about," he said, pointing out that the state of the global economy has not helped, with global growth forecasts having been slashed seven times already since the government came to power. Morneau expects the economy to pick up steam in the third quarter, due to billions of dollars in infrastructure investments, increased child benefits for parents, an enhanced Canada Pension Plan (CPP) and income tax changes. Investors shrugged off any economic concerns and helped push Canadian equities to one-year highs.

**U.S. hints at upcoming rate hike….again.** Since its last interest rate hike in December 2015, the U.S. Federal Reserve (Fed) has been hinting at another increase, with Fed Chair Janet Yellen pinning it on a strong labour market and improved economic data. In a widely anticipated speech at a recent global central banker meeting in Jackson Hole, Wyoming, Yellen said "the case for an increase in the federal funds rate has strengthened." The economy and labour markets have improved over recent months, closing in on the Fed's goal for full employment and prompting analysts to raise their expectations of a rate hike later this year.

**Britain looks to support economy.** Following Britain's decision to leave the European Union (otherwise known as 'Brexit'), investors have turned their focus toward how the country's economy might be impacted. The Bank of England has stepped up, choosing to act early to "reduce uncertainty, bolster confidence, blunt the slowdown and support the necessary adjustments in the UK economy." For the first time since 2009, the BoE cut interest rates, while lowering its growth forecasts for the rest of this year and next. The BoE also introduced a bond-buying programme to purchase up to £10 billion of high-grade corporate debt, and committed an additional £100 billion to banks to encourage them to continue lending after the rate cut.

**Brazil's President impeached.** On the final day of the month, Brazil's Senate voted to remove President Dilma Rousseff from office, following a year-long political battle and hard-hit economy. Rousseff was accused of breaking fiscal laws in managing the federal budget, which she continues to contest. Vice-President Michael Temer is expected to serve the remainder of the term through 2018. With deep-seated issues impacting the country's weakening economy, question marks remain over what kind of impact the impeachment might have.

**Did you know?**

Making simple changes to your mortgage payment or payment frequency can help you pay off your mortgage faster? Learn more on page 2!

| INDEX (C$)† | 1 Mth | YTD | 1 Yr | Index Level |
|---|---|---|---|---|
| Treasury Bill (FTSE TMX Canada 60 Day T-Bill) | 0.06 | 0.35 | 0.48 | 158.77 |
| Bonds (FTSE TMX Canada Universe Bond) | 0.09 | 5.02 | 5.76 | 1044.79 |
| Canadian Equities (S&P/TSX Composite) | 0.27 | 14.43 | 8.68 | 14,597.95 |
| U.S. Equities (S&P 500) | 0.57 | 2.34 | 11.81 | 2,849.59 |
| Global Equities (MSCI World) | 0.57 | 0.11 | 6.66 | 2,257.04 |
| Emerging Markets (MSCI Emerging Markets) | 2.96 | 8.95 | 11.50 | 1,173.04 |

| CURRENCIES† | Change (%) 1 Mth | YTD | 1 Yr | Exchange Rate |
|---|---|---|---|---|
| C$/US$ | -0.48 | 5.58 | 0.26 | 0.7630 |
| C$/Euro | -0.36 | 2.76 | 0.75 | 0.6839 |
| C$/Pound | 0.19 | 18.43 | 17.12 | 0.5808 |
| C$/Yen | 0.77 | -9.15 | -14.46 | 78.9200 |

| COMMODITIES (US$)† | Change (%) 1 Mth | YTD | 1 Yr | Price |
|---|---|---|---|---|
| Gold Spot ($/oz) | -3.40 | 23.18 | 15.13 | 1,311.40 |
| Oil WTI ($/barrel) | 5.60 | 4.27 | -18.96 | 44.70 |
| Natural Gas ($/MMBtu) | -1.03 | 13.44 | -1.47 | 2.89 |

†Total Return, as at August 31, 2016. Source: Bloomberg

# 3 tips to help you retire debt-free

**We all have unique financial goals, but there is one goal that's common to most Canadians – eliminating debt before retirement.**

Among Canadians, debt remains a key concern, and without a doubt, many of us would like to be debt-free by the time we retire. That's a smart objective, especially since cash flow has to be managed carefully in retirement. To help you achieve that goal, here are three simple tips to get you started:

**1. Increase your payment frequency.** Making monthly mortgage payments is a fairly common practice for Canadians, but by simply changing the payment frequency to bi-weekly or weekly, you can shave years off of your mortgage. Using the Scotia Mortgage Payment Calculator, it's easy to see the difference. A mortgage amortized over 25 years, for example, could be paid off in 22 years and 3 months just by making bi-weekly payments.

**2. Increase your monthly payment amount.** Most mortgages allow you to increase your payment each year by up to 10%. On the same mortgage, even a $71 (5%) increase to the monthly payment can reduce the mortgage amortization by one year and eight months.[1]

**3. Take advantage of pre-payments.** Most mortgages offer a feature of limited lump-sum payments, generally up to 15% of the original mortgage amount. These payments – large or small – go directly to the principal and immediately take a chunk out of your remaining mortgage.

While it may seem like a stretch to retire your debt before you retire from the workforce, consider that roughly 32% of Canadians aged 65 and over are debt-free.[2] Smart borrowing decisions, avoiding excess credit, and seeking advice from a financial advisor likely helped them achieve this goal.

If you're nearing retirement, there's still time to reduce or pay off your debts. Meet with your Scotiabank advisor to review your retirement plans: they can help you create a strategy that addresses all of your goals – from borrowing to investing – and provide you with a plan to help you achieve them.

[1] For illustrative purposes only. Based on a $300,000 mortgage, amortized over 25 years with an annual interest rate of 3% and bi-weekly payment of $872.41.

[2] Statistics Canada, 2014.



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