

## August in Review

Indices this month posted solid gains, as investors headed into the last of their summer holidays. U.S. equity markets closed significantly higher, gaining 3.71%, its best monthly performance since February. Canadian equities rallied 2.09% and are up 16.86% year-to-date, outperforming most developed markets.

**U.S. and Canadian stock markets reach record highs – but who’s celebrating?** The S&P 500 Index and S&P/TSX Composite Index, which represent the U.S. and Canadian stock market respectively, reached all-time highs in August. The precipitating factors for this boost were the strong signs of economic recovery in the U.S. in combination with the U.S. Federal Reserve Board asserting they are in no rush to raise interest rates. However, geo-political unrest outside of North America has caused investors to stop short of throwing a parade.

**Oops! Statistics Canada revises July jobs figures.** A week after the announcement of a calculation error, Statistics Canada released revised jobs figures in August. Canada added 42,000 jobs in July, not the 200 originally reported. The discrepancy comes from the number of full-time jobs created which was originally reported as a loss of 60,000. “In my over two decades of experience in this business I struggle to think of a comparable foul-up anywhere in the world,” said Derek Holt, Scotiabank’s Vice President of Economics.

**Burger King reached agreement to snap up Tim Hortons.** With financial support from investment mogul Warren Buffett, 3G Capital, the controlling shareholder of Burger King Worldwide Inc., announced a \$12.5 billion deal to acquire the beloved coffee maker. The deal would form the world’s third largest fast-food chain that could rake in \$23 billion in annual revenues. The brands would operate on a standalone basis. However, the head office of the combined company would be located in Canada, which would lessen the tax implications of repatriating worldwide earnings.

**German bond yields hit record low.** For the first time ever, German bond yields dropped below 1% last month – meaning bond holders are earning close to nothing when factoring for inflation. With weak economic growth emerging from the eurozone’s largest economy – a contraction of 0.2% in Q2 – and very low inflation, Germany is looking less likely to avoid economic stagnation without implementing monetary policy measures similar to the U.S., U.K. and Japan.

**What’s going on with oil?** With the recent turmoil in Eastern Europe and the Middle East, the world’s largest oil producing regions, it is contradictory to supply and demand theory that the price of oil has not risen dramatically. However, over the past year the price per barrel of oil has declined by 10.86%. The reason: relentless North American supply. While low crude prices are good for consumers at the pumps, it is cause for concern to Alberta oil sands producers who, in some instances, require prices as high as \$150/barrel to turn a profit.

INDEX (C\$) <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury bills (FTSE TMX Canada 60 Day T-Bill)	0.08	0.60	0.93	157
Bonds (FTSE TMX Canada Universe Bond)	1.07	6.60	7.57	942
Canadian equities (S&P/TSX Composite)	2.09	16.86	27.13	15,626
U.S. equities (S&P 500)	3.71	12.33	29.24	2,176
Global equities (MSCI World)	1.96	9.58	25.62	1,900
Emerging markets (MSCI EM)	2.01	13.41	24.24	1,182

CURRENCIES <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	0.24	-2.36	-3.14	0.9192
C\$/ Euro	2.23	2.20	-2.47	0.7000
C\$/ Pound	1.99	-2.59	-9.52	0.5538
C\$/ Yen	1.53	-3.46	2.71	95.6880

COMMODITIES (US\$) <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	0.41	6.81	-7.69	1,287.81
Oil WTI (\$/barrel)	-2.25	-2.50	-10.86	95.96
Natural Gas (\$/MMBtu)	5.83	-3.90	13.52	4.07

<sup>†</sup> As at August 31, 2014. Source: Bloomberg.

### Did you know?

The average amount paid in tuition fees by Canadian full-time undergraduate students in the 2013/2014 academic year was \$5,772.\*

\*Statistics Canada, July 2014.

# School of thought

*An investment in knowledge always pays the best interest.* – BENJAMIN FRANKLIN

While most people think about ringing in the New Year in January, for some it begins with sharpened pencils as their children go back to school in September. As the new school year begins, saving for college or university becomes an important topic. As the cost of education has risen, Canadian parents have been helping their children out, with 77% of parents contributing to their child's tuition, and 79% paying for all or part of their living expenses. Fourteen percent of parents have admitted to remortgaging their homes to help pay for school.†

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.



For example, if you have recently welcomed a newborn into your family, you may be eligible to receive the Universal Child Care Benefit (UCCB), which issues a taxable \$100 monthly payment to families for each child under the age of six. 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 the RESP each year. If you deposit the UCCB into an RESP, that's an additional \$240 a year.

A quick calculation shows that if you contribute nothing but the UCCB, and collect the CESG on top of that, you would save \$1,440 per year over the first six years, for a total of \$8,640. That's without even putting in a single dollar of your own – which makes quite the compelling argument to get that government money off the table and into an RESP.

Visit a Scotiabank branch to find out more about saving for your child's future education needs.

† Source: Financial Post "Canada's post-secondary pinch: Parents are forced to sacrifice future so their kids can have one." August 21, 2014.

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