

Investment Insights

2011...Coming to an end

Global financial markets were highly volatile during the third quarter, with sharp drops in August and September. The MSCI World Index was down 16.5% and the S&P 500 Index in the U.S. slid 13.9%. The commodity-driven Canadian market also came under pressure as the price of resources tied to the global economic expansion fell, including oil and metals such as copper. For the three-month period, the S&P/TSX Composite Index declined 12.0%.

The reasons for these market moves can be traced to a number of broad economic and political factors. Most notable was the ongoing risk of debt default in Greece and the destabilizing effects this would have on the Eurozone's political, economic and financial systems. In July, the political battle in the U.S. over the government's debt ceiling and the subsequent decision by Standard & Poor's to downgrade the U.S. credit rating added to the fears over global sovereign debt.

Amid this uncertainty, the recovery in the U.S. economy appeared to have stalled, and the U.S. Federal Reserve's latest attempt to stimulate the economy was met with scepticism. Finally, data indicating slower growth in China and other emerging markets sparked investor fears that developed economies relying on this engine of growth could relapse into recession.

Whether current conditions are a harbinger of recession or simply a slowdown in a continuing recovery is unclear at this point. On a fundamental level, many of the conditions that typically underpin strong business activity remain in place. These include low interest rates, low inflation and, in contrast to the financial crisis of 2008, available credit. In general, corporate balance sheets are very strong, and firms are actively using their cash for mergers and acquisitions, share buybacks and dividend increases. Many companies continue to report growing revenues and profits.

The fear that is stalking the markets disregards these positive factors. Bouts of extreme volatility are a reminder that the market can be unpredictable on a short-term basis, and that equities are best suited as long-term investments. Although the average annual return of the Canadian stock market has been 8% to 9% over the long term, stock prices can fluctuate dramatically from year to year. In the short term, the stock market is influenced not just by corporate fundamentals, but also by investors' emotions.

Today, equity valuations have become very attractive on a historical basis and relative to fixed-income investments. While there is no way to predict when markets will rebound, many highly experienced investors believe the current environment represents an excellent opportunity to invest at reasonable prices and benefit from positive compound returns over the longer term. This is the reasoning behind the famous comment by Warren Buffett: "Be fearful when others are greedy and be greedy when others are fearful."

Ultimately, achieving one's long-term investment goals depends on crafting a well-diversified portfolio that is tailored to fit your goals, time horizon and tolerance for risk, which is what we have done. Should you have any questions about your portfolio, I will be pleased to speak with you.

- Jolene



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Please be advised...

The final day for 2011 tax loss selling is **Friday, December 23rd**.

If there are any positions in your non-registered account that you're considering for tax loss purposes, please let me know ASAP.

Did you know...

Steve Jobs' annual salary at Apple was \$1 – just enough to keep company health benefits.

Steve Jobs

Founder & CEO, Apple Inc
1955 - 2011

Teammates

Every year our branch participates in the Annual ScotiaMcLeod Regional Softball tournament at Brockton Oval in Stanley Park. Although we didn't come out on top this year, we sure looked good!



What's new?

I'm pleased to report that Zahra is back in the saddle again. After a small detour from her position, she is once again in action here in White Rock. Although her summer didn't include a visit to her parents in Kenya, she did manage to spend some much needed time with her family.

Zahra will be pleased to help you with any of your administrative needs, including money requests, address changes, statements, tax forms and meeting bookings, to name a few. She is also happy to help you with order entries, if you are unable to reach me for any reason.

Welcome back Zahra!

A look to the past, for perspective on the present

I really don't know that much about American history. To tell you the truth, I'd probably have a hard time naming even half of the 44 US Presidents – and even then, I'd start with a couple of Bush's, a couple of Roosevelt's and a couple of Johnson's, to take the easy road.

I recently found myself engulfed in the Presidential history that surrounds Abraham Lincoln. There's much interest regarding his brief time in the White House, and many points of historical significance that go along with his reign. He promoted the passage of the Thirteenth Amendment to the US Constitution, abolishing slavery, his Gettysburg Address of 1863 became the most quoted speech in American History, and he has the unfortunate distinction of being the first US President to be assassinated.

The funny thing is, when I kept reading about the difficult times during the Civil War and the division among rich and poor, white and black, the quotes that come forth from the history books could very well be from the mouths of someone regarding the current state of affairs in the U.S. and around the world.

"America will never be destroyed from the outside. If we falter and lose our freedoms, it will be because we destroyed ourselves."

"Public sentiment is everything. With public sentiment, nothing can fail. Without it, nothing can succeed."

"The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew."

"The people will save their government, if the government itself will allow them."

Although Lincoln was usually referring to the battles of the Civil War, his commentary is relevant even today. As it turns out, we're indeed in the midst of a "war" of sorts ourselves. There's the seemingly hopeless "war" on debt, the unbelievable "war" on poverty in the world's most prosperous nation, the "war" that exists in the markets between the buyers and sellers...

The moral of today's story (I know you were waiting for it) is, I suppose, that the strong survive. The strong learn from their mistakes, alter their philosophies and move on to better days. The strong stand up and fight for what's right, and ensure that the weaker are protected. Although many nations currently don't seem strong – Greece, Italy, Spain, Portugal – others are willing to help – Germany, Canada, China and even the US in their own special way.

The world is small, and globally each country makes up a part of the large dysfunctional family that we call Earth. If history does indeed repeat itself, we should see many prosperous times ahead.

Important Upcoming Dates

November 2011

1/2 – US Federal Reserve Announcement
11 – Remembrance Day, Office Closed
24 – American Thanksgiving, US Markets Closed

December 2011

6 – Bank of Canada Interest Rate Announcement
13 – US Federal Reserve Announcement
23 – LAST DAY FOR 2011 TAX LOSS SELLING
26 & 27 – Canadian & US Markets Closed

January 2012

2 – Canadian & US Markets Closed
17 – Bank of Canada Interest Rate Announcement
24/25 – US Federal Reserve Announcement

The Last Word

You cannot escape the responsibility of tomorrow by evading it today.

- Abraham Lincoln

1809-1865

16th President of the United States

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