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Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well-informed of changes affecting local business decisions and our investment recommendations. We believe Knowledge Pays and we want our knowledge to help pay for you.

ECONOMIC TIDBITS *AN INVENTORY OF NOTABLE DATA AND INFO*

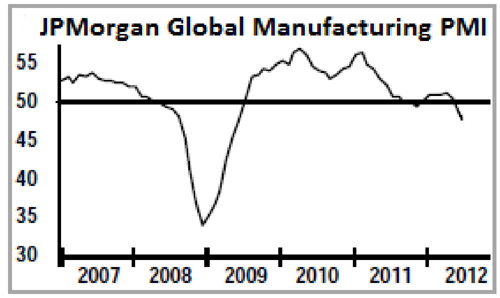
- Since our last newsletter, equity markets have steadily climbed. U.S. housing and employment data improved and Mario Draghi, President of the European Central Bank (ECB), stated that the ECB "may undertake outright open market operations of a size adequate to reach its objective" and implored markets to "believe me, this will be enough". The Euro spiked and Spanish and Italian bond yields plunged following these comments, sparking a global market rally.
- The global manufacturing sector slid further into contraction territory in July reaching a level typically unseen outside of recession. North American manufacturing employment continues to grow while manufacturing employment in Europe and Asia shrinks. The sector has yet to see any material improvement from interest rate cuts and many view fiscal stimulus as the key to stimulating manufacturing activity. *See Fig. 1 for chart of JP Morgan Global Manufacturing PMI.*
- An improvement in U.S. economic data, primarily in the housing market where a supermajority of cities are beginning to report price increases, appears to have boosted confidence in the U.S. recovery. As a result of this rising confidence, mortgage yields have spiked, putting the housing market (and U.S. economic) recovery at risk.

LE JIT A "JUST-IN-TIME" RUNDOWN OF OUR CURRENT INVESTMENT THEME

Spike in Bond Yields May Confirm Commodity Cycle Over

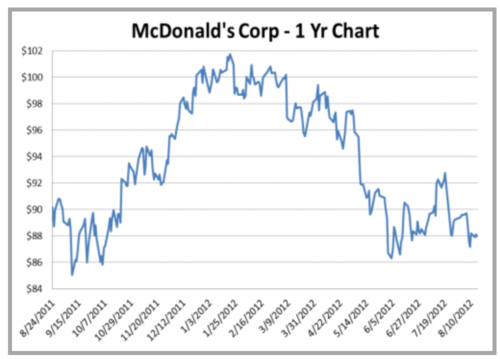
- Typically, a spike in U.S. and Canadian bond yields coincides with a spike in commodities and commodity stock prices
- Limited reaction from these securities may signal the end of the commodity cycle and support the case for commodity consumers
- **McDonald's Corp (MCD)** and **Kellogg Co. (K)** are two investment ideas related to this theme:
  - McDonald's franchises and operates fast-food restaurants in 119 countries on six continents. *See Fig. 2 for 1-year chart.*
  - Kellogg manufactures and markets ready-to-eat cereal and convenience food products globally. *See Fig. 3 for 2-year chart.*

Fig. 1



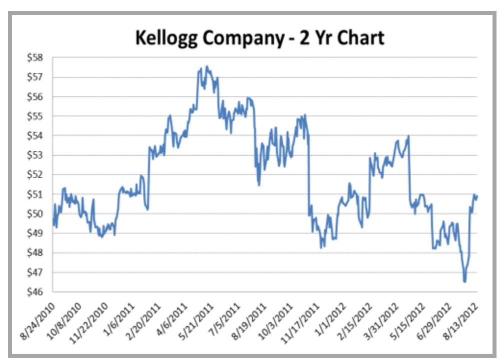
Data Source: JP Morgan, Markit; www.ism.ws

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

RIDING THE CURVE *A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES*

First Capital Realty Debenture F Maturing January 31st, 2019 (FCR.DB.F)

- First Capital operates supermarket/drugstore anchored shopping centers in Canada
- This is a 6.5 year debenture with a conversion price of $23.77 (current price: $19.03)
- This debenture yields 4.70% until maturity at a current trading price of $103

Dundee REIT Debenture B Maturing on December 31st, 2014 (D.DB.B)

- Dundee REIT owns and operates office and industrial real estate in Canada
- This is a 2.4 year debenture with a conversion price of $41.40 (current price: $39.14)
- This debenture yields 4.68% until maturity at a current trading price of $102.94

RETIREMENT PLANNING RESULTS OF THE 2011 FIDELITY RETIREMENT SURVEY

How do Canadians view retirement?

Most Canadians see retirement as a positive life event, associating it with such words as freedom, family and fun. Though many plan on (34%) and do (40%) downsize their lifestyle in retirement, 78% of retirees felt the transition into retirement was easier than or equal to their expectations, signaling that downsizing is well tolerated.

What do Canadians see as the key risks to retirement income?

In order, the greatest retirement risks are seen to be inflation, unforeseen and/or excessive health care costs, improper asset allocation, longevity and overzealous withdrawal rates. No surprises here.

Why are Canadians working in retirement?

The top three reasons for working in retirement are to stay mentally and physically healthy, for financial reasons and to keep busy. The top three reasons for retiring are poor health, job pressures/stress and early retirement benefits. What do these stats tell us? Staying healthy before retirement will allow you to retire on your own terms.

What do Canadians want out of financial advice?

In response to the question "What is the most valued financial advice?" 67% of Canadians aged 45+ stated that Retirement, Financial, Income and Tax Planning are most valued. That said, of those with advisors, only 68% have received help in determining retirement needs and only 30% have a written retirement plan.

These stats reinforce Steele Wealth Management's priority of providing integrated wealth management solutions including not only investment and tax advice but retirement plans with clear savings goals, income targets and ongoing supervision to ensure that you are on track with your retirement goals.

JEANNINE'S TIP O' THE MONTH *ENHANCING YOUR SWM EXPERIENCE*

If you have not visited our Client Access website recently, you will be pleasantly surprised to find some great new features. Some features include: the ability to download transactions to Excel, enhancements to the Market Information section, customizable Watch Lists and more…

Current Rates & Data

Govt of Canada

90 day	1.00%
1 year	1.15%
2 year	1.21%
5 year	1.52%
10 year	1.96%
30 year	2.49%

U.S. Treasury

90 day	0.08%
1 year	0.18%
2 year	0.29%
5 year	0.80%
10 year	1.82%
30 year	2.93%

Canada Prime Rate

3.00%

U.S. Prime Rate

3.25%

Canada CPI Y-o-Y (May)

1.20%

U.S. CPI Y-o-Y (May)

1.70%

Exchange Rates

CAD/USD	1.010
USD/EUR	1.235
JPY/USD	79.43

This newsletter has been brought to you by Steele Wealth Management

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Any bond, debenture or preferred share ratings listed within this newsletter are those of DBRS (Dominion Bond Rating Service).

All rates mentioned within this newsletter are as of August 17th, 2012, unless otherwise stated.