

# 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

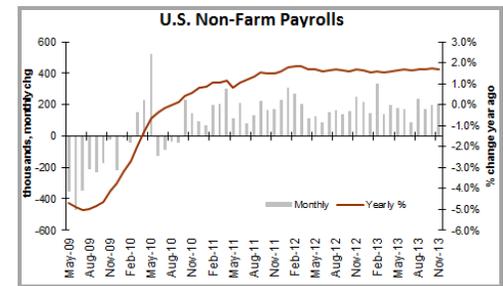
- Since our last newsletter, equity, bond and commodity markets were little changed. Following several months of economic improvement, markets weakened as some data points showed that growth had slowed in early-to-mid November. Markets soon recovered as data disseminated in early December indicated that economic activity remains near 3-year highs.
- As a result of the strong economic data, particularly on the U.S. employment front, it is widely expected that the U.S. Fed will taper its bond purchases in December or January. The effect of tapering is still very much up to debate and no one knows for certain if the markets can tolerate a meaningful reduction in liquidity. See Fig. 1 for a Chart of U.S. Non-Farm Payrolls
- After cutting rates to a record low 0.25% in early November, the European Central Bank (ECB) held rates steady in December. The ECB lowered its inflation forecast in the December meeting and stated that it remains ready to act should inflation expectations fall further. With rates already near zero, this could mean that the ECB will undertake U.S. Fed like quantitative easing in the near future.

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

### Momentum ETFs Lower Portfolio Volatility & Boost Returns

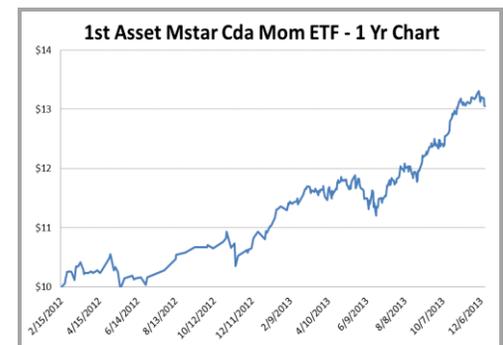
- Momentum strategies have historically had a low correlation to value-oriented and buy-and-hold strategies so employing both will lower portfolio volatility and likely boost long-term portfolio returns
- Momentum is the second most important factor (second only to liquidity) in determining a stock's expected future return
- **First Asset Morningstar Canada Momentum ETF (WXM)** and **First Asset Morningstar U.S. Momentum ETF (YXM)** are two investment ideas related to this theme:
  - WXM holds Canadian stocks with strong price and fundamental momentum. See Fig. 2 for 1-year chart.
  - YXM holds U.S. stocks with strong price and fundamental momentum. See Fig. 2 for 2-month chart.

Fig. 1



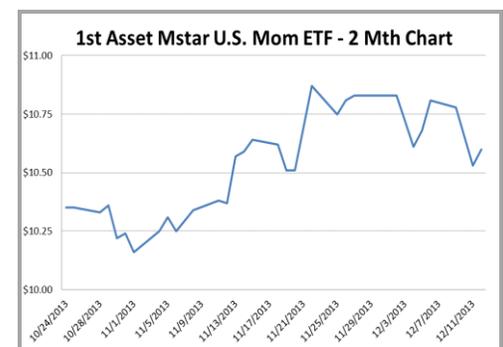
Data Source: Haver Analytics

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

**Ag Growth Intl Debenture (AFN.DB) Maturing December 31<sup>st</sup>, 2014**

- Manufactures and distributes grain handling, storage and conditioning equipment
- This is a 1 year debenture with a conversion price of \$44.98 (current price of \$40.50)
- This debenture yields 6.35% until maturity at a current trading price of \$100.65

**Liquor Stores Debenture A (LIQ.DB.A) Maturing April 30<sup>th</sup>, 2018**

- Liquor Stores operates retail liquor stores in B.C., Alberta, Kentucky and Alaska
- This is a 4.4 yr debenture with a conversion price of \$24.9 (current price of \$14.31)
- This debenture yields 5.08% until maturity at a current trading price of \$103.00

HOLIDAY PLANNING TIPS FOR MAKING THE HOLIDAYS A LITTLE EASIER ON THE WALLET

**Shop Smart.**

If you're looking to buy something that is sold everywhere, why not go for the cheapest? Peruse the web for good deals. Amazon.ca always has good deals on the go.

- Buying clothing? Look to outlet or value brand stores for the same goods for less.
- Buying food? Look to the discount stores for the same turkey and fixings for less.
- Watch the quantities. It's far too easy to buy more than you need when hosting friends and family. Just don't skimp on the fruitcake!

**Raise Some Cash. Cut Some Clutter.**

Not surprisingly, the internet revolution has made selling used stuff much easier. The advent of Facebook has made it very easy to sell used items co-operatively and locally. Selling on Facebook (versus Kijiji, Craigslist or classified ads) is preferred by most as you can easily get comfortable with the individuals you choose to deal with before meeting them. eBay.ca is always an option for those with experience selling on the site.

**Restrain Spending – If Needed and If Possible.**

We live to spend our hard-earned dollars on our loved ones. That said, there is no need to go overboard if you can't afford it. Make a budget and stand by it. You'll feel better if you do. Playing catch-up in January is never fun.

**Have Fun & Be Merry.**

How much you spend will have little effect on whether you enjoy yourself this holiday season. Make sure to set aside some time for you and the things you enjoy to do.

JEANNINE'S TIP O' THE MONTH YEAR END TAX TIPS

**Charitable Donations** must be made by the calendar year end. In-kind donations of qualifying securities that have unrealized capital gains can be very tax-efficient.

**Offsetting Capital Gains** – crystalize some losses to offset gains. Trades must be placed by Dec. 24<sup>th</sup> for Canadian Markets and December 26<sup>th</sup> for U.S. Markets.

**RESP Contributions** must be done by December 31st. If beneficiary has turned 17 this calendar year, this is last year to be eligible for the grant.

**Current Rates & Data**

**Govt of Canada**

90 day	0.90%
1 year	0.93%
2 year	1.11%
5 year	1.82%
10 year	2.66%
30 year	3.21%

**U.S. Treasury**

90 day	0.06%
1 year	0.13%
2 year	0.35%
5 year	1.52%
10 year	2.87%
30 year	3.90%

**Canada Prime Rate**

3.00%

**U.S. Prime Rate**

3.25%

**Canada CPI Y-o-Y (Oct)**

0.70%

**U.S. CPI Y-o-Y (Nov)**

1.20%

**Exchange Rates**

CAD/USD	0.939
USD/EUR	1.376
JPY/USD	103.0

**This newsletter has been brought to you by Steele Wealth Management**

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All rates mentioned within this newsletter are as of December 18<sup>th</sup>, 2013, unless otherwise stated.

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