

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

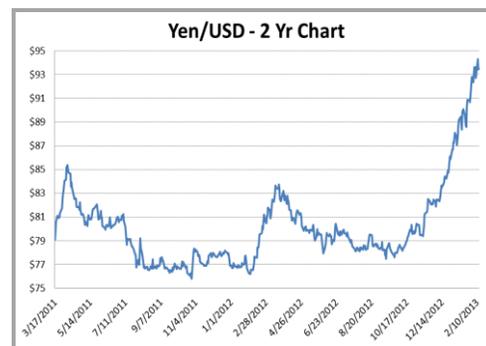
- Since our last newsletter, equity markets have continued to march higher. U.S. stock indices are approaching all-time highs as some negative surprises on the economic data front were offset by stronger than expected U.S. earnings and manufacturing data. Other markets participated in the rally but to a lesser extent on average.
- Japan's stock exchange, the Nikkei, sustained its now three month rally as the Bank of Japan set a 2% inflation target and vowed to unleash unlimited monetary stimulus starting in 2014 to reach this target. This pledge endorsed further Yen depreciation giving a boost to Japan's major exporters (Sony, Panasonic and Toyota, among others). The rapid decline in the Yen's value has sparked concerns of a global currency war. See Fig. 1 for a 2-year chart of the Yen vs. USD.
- In late January, U.S. policymakers voted to extend the debt ceiling date from mid-February to mid-May in order to provide ample time to deal with the upcoming Sequestration: automatic cuts to discretionary spending of over \$100 billion annually will kick in on March 1st and loss of access to funding by many Federal agencies will kick in on March 27th. We will likely see yet another market-moving quarrel between Democrats and Republicans later this month as Democrats fight for tax hikes and Republicans fight for spending cuts.

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

Revisiting Energy as Its Seasonally Strong Period Fires Up

- The Energy sector typically performs well from late February to May
- This year's seasonal strength could be enhanced by actions to boost the realized oil price of Canadian energy companies (i.e. the approval of the Keystone XL, Northern Gateway or West-to-East pipelines)
- **Canadian Natural Resources (CNQ)** and **Baytex Energy (BTE)** are two investment ideas related to this theme:
 - Canadian Natural owns and operates oil-weighted energy assets in Canada, the North Sea and Africa. See Fig. 2 for 2-year chart.
 - Baytex owns and operates energy (97% oil weighted) assets in Canada. See Fig. 3 for 1-year chart.

Fig. 1



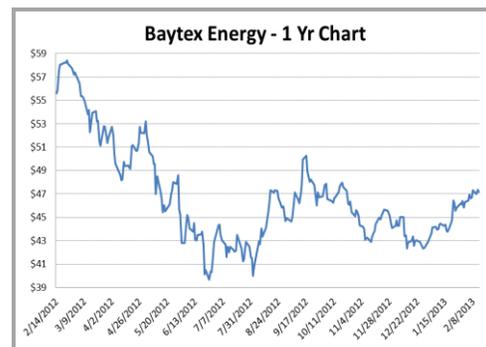
Data Source: Market-Q

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

PowerShares Ultra DLUX Canadian LT Govt Bond Index ETF (PGL)

- This ETF seeks to replicate the performance of the DEX Long Term Govt Bond Index
- This ETF is the Canadian equivalent of the iShares 20+ Yr Treasury Bond ETF (TLT)
- Consists of Federal, Provincial and Agency bonds and should do well in down markets
- At \$21.87, this ETF has a duration of 14.1 years and a yield-to-maturity of 3.13%

Loblaw Preferred A (L.PR.A) Retractable on July 31st, 2015

- Loblaw is Canada’s largest food distributor and grocer
- At \$26.16, the issue has a yield-to-retraction of 4.06%; the shares are rated Pfd-3

RETIREMENT PLANNING LOVE IN THE TIME OF RETIREMENT

In the spirit of Valentine’s Day, BMO and Leger Marketing produced a study focusing on communication between couples on retirement planning. Below we list some of the highlights and some lessons that we believe can be learned from the study.

Do we talk about retirement with our partner?

According to the study, 69% of Canadian couples have had conversations about retirement. However, less than half of all couples have discussed essential topics like:

- What their ideal retirement lifestyle will look like (47% of couples)
- At what age they plan to retire (46% of couples)
- Where they want to live in retirement (44% of couples)
- How much money is needed to retire the way they want to (42% of couples)
- Whether they will downsize their home or not (36% of couples)
- Do you know how much your partner has saved for retirement (30% of those in couples)

Do we smarten up as the relationship gets more serious?

A little bit. Of those who are married or in a serious relationship, 86% have had conversations about retirement but unfortunately fewer than half of those couples know how much they have saved or where they will live during retirement.

Why is talking about retirement important?

More than 20% of couples feel that differing views on retirement can be grounds for a break-up or divorce yet only 28% of couples discuss retirement plans before getting married or living common law and many do not discuss retirement even after getting married. Considering the emotional and tangible financial investment involved in getting married (RateSupermarket.ca estimates the average cost of a one year courtship, engagement and wedding at ~\$44,000) and the wrench that divorce or break-up can have on your retirement lifestyle (higher living costs and higher tax rates) it is important to discuss retirement needs and wants before and throughout marriage to ensure that you can both be happy with your retirement date, locale and lifestyle.

JEANNINE’S TIP O’ THE MONTH ENHANCING YOUR SWM EXPERIENCE

Anxious to get your tax package to your Accountant? Please ensure that you have received all income tax receipts first. Many of the federal forms are mailed by Feb. 28th but there are exceptions. If you had any Canadian Trust Income or Canadian Ltd Partnership Income, these do not get mailed until March 29th.

Current Rates & Data

Govt of Canada

90 day	0.92%
1 year	1.05%
2 year	1.13%
5 year	1.48%
10 year	2.02%
30 year	2.63%

U.S. Treasury

90 day	0.09%
1 year	0.15%
2 year	0.27%
5 year	0.88%
10 year	2.00%
30 year	3.21%

Canada Prime Rate

3.00%

U.S. Prime Rate

3.25%

Canada CPI Y-o-Y (Dec)

0.80%

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

1.70%

Exchange Rates

CAD/USD	0.998
USD/EUR	1.345
JPY/USD	93.51

This newsletter has been brought to you by Steele Wealth Management

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