

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

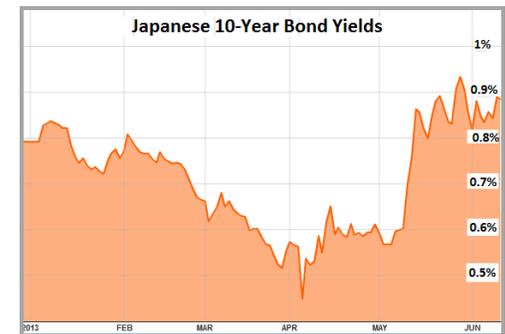
- Since our last newsletter, market momentum has waned. On the economic data front, more negative data than positive took the wind out of U.S. and European markets and reinforced weakness in Chinese and commodity markets. The Japanese stock market (Nikkei) and the Yen are down roughly 24% and 10%, respectively, since May.
- Wild selloffs in Japanese stocks and spiking long-term Japanese bond rates have pushed investors to demand more action from the Bank of Japan. Some prognosticators worry that the negative effect of rising long-term bond yields will offset the positive effects of monetary stimulus due to Japan's massive debt load (245% of GDP). If average government bond yields reach 2%, bond interest will equate to 80% of government revenues. With 10-year bond yields at 0.8%, yields appear to be under control for the time being. That said, a continued spike in yields could spell bad news for the Japanese and global economy. See Fig. 1 for a chart of Japanese 10-Yr Bond Yields.
- Eurozone economic activity continued to improve in May with France and Spain hitting 5- and 23-month highs, respectively. The ECB's May interest rate cut was seen as bolstering economic expansion in the Eurozone. The cut was the first in 10 months and marked a shift in policy towards more stimulative policy within the region.

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

Canadian Employment & Housing Rebound; Time to Invest?

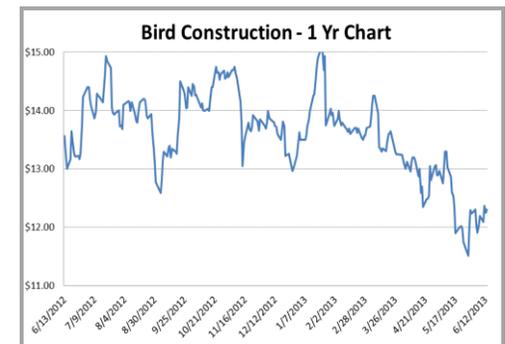
- Between January and April, an uncertain global growth outlook and a slowing housing market resulted in zero Canadian job growth
- Canada created 95,000 jobs in May and home sales activity spiked; if a positive trend ensues, Canada-centric investments are attractive
- **Bird Construction (BDT)** and **Glentel (GLN)** are two investment ideas related to this theme:
 - Bird Construction is a general contractor in Canada focusing on public-private partnership projects. See Fig. 2 for 1-year chart.
 - Glentel provides telecom services through four branded wireless retail operations in North America. See Fig. 3 for 2-year chart.

Fig. 1



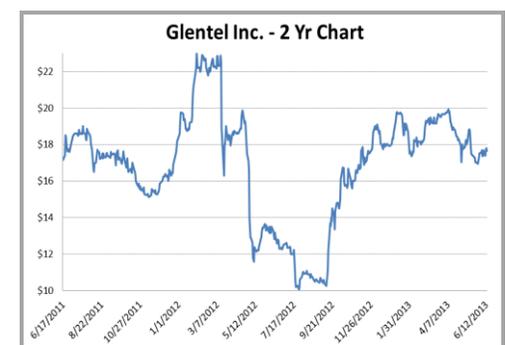
Data Source: Bloomberg.com

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

PowerShares Tactical Bond ETF (PTB)

- PowerShares PTB is a fixed income ETF consisting of short-term corporate bonds, long-term government bonds and high yield, emerging market and real return bonds
- PTB tactically allocates among the bond types depending on the economic climate
- At \$19.57, the shares have a yield-to-retraction of 2.96%

iShares S&P/TSX Capped REIT Index Fund ETF (XRE)

- iShares XRE is cap-weighted resulting in more exposure to larger, more stable REITs with RioCan, H&R and Dundee REITs amounting to over 40% of the ETF's weighting
- Like all income securities, XRE has been under pressure and is currently at a 1-yr low
- At \$15.95, the shares have a yield of 4.72%

RETIREMENT PLANNING HOW MUCH IS ENOUGH?

At Steele Wealth Management, we do our best to help our clients understand their financial situation. Importantly, we provide our clients with a retirement income estimate that allows them to judge whether they will have enough to retire the way they want. If the retirement income number is not high enough, they can find additional ways to save more before retirement or spend less in retirement.

How much is enough and what can I expect to spend in retirement?

The financial planning rule of thumb is to have 70% of your pre-retirement income in retirement as ~30% of the average pre-retirement income goes toward mortgage repayment. But will we really spend as much in retirement as when we worked and our kids were in school? Two principals at Canada's largest pension plan administrator believe not. In a 2012 book, Fred Vettese and Bill Morneau of Morneau Shepell argued that 50% of pre-retirement income is a more appropriate and achievable goal.

Spending rates decline much faster than we anticipate.

Though we like to believe our ability to do things, and therefore our spending habits, will be the same in retirement, a recent study showed that at age 75 household spending dropped by 19%, at age 85 it dropped by 34% and at age 95 it dropped by 52%. Vettese and Morneau argue that saving enough to cover 50% of your pre-retirement income and owning your own home is enough. They believe the risk of disability or the need for long-term care can be satisfied by selling your home.

Where does Steele Wealth Management stand?

Though we believe the 70% figure may be on the high side, it is always best to err on the side of caution. Financial plans rely on return, savings and retirement age assumptions that are largely out of our control. The more you have saved and the more flexibility you have, the less stressful and more enjoyable retirement will be.

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

Need a passport? On July 1st, 2013, Canada's ePassport becomes available with a 5 or 10 year validity. The ePassport has an electronic chip embedded on the back cover for increased security. Go to www.ptt.gc.ca to learn more.

Current Rates & Data

Govt of Canada

90 day	1.00%
1 year	1.09%
2 year	1.15%
5 year	1.60%
10 year	2.09%
30 year	2.66%

U.S. Treasury

90 day	0.05%
1 year	0.12%
2 year	0.32%
5 year	1.12%
10 year	2.21%
30 year	3.35%

Canada Prime Rate

3.00%

U.S. Prime Rate

3.25%

Canada CPI Y-o-Y (Apr)

0.40%

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

1.10%

Exchange Rates

CAD/USD	0.982
USD/EUR	1.334
JPY/USD	94.96

This newsletter has been brought to you by Steele Wealth Management

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All rates mentioned within this newsletter are as of June 13th, 2013, unless otherwise stated.

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