

# Taking Stock with Steele

Your Monthly Newsletter

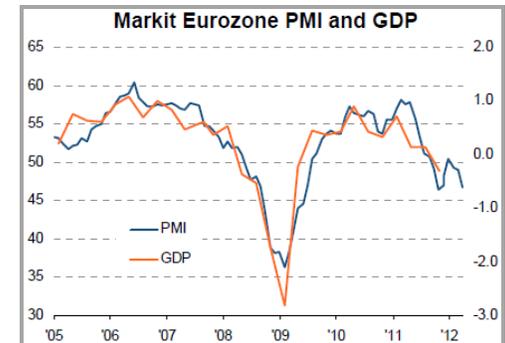
*The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well-informed of changes affecting local business decisions and our investment recommendations.*

*We believe Knowledge Pays and we want our knowledge to help pay for you.*

## ECONOMIC TIDBITS AN INVENTORY OF NOTABLE DATA AND INFO

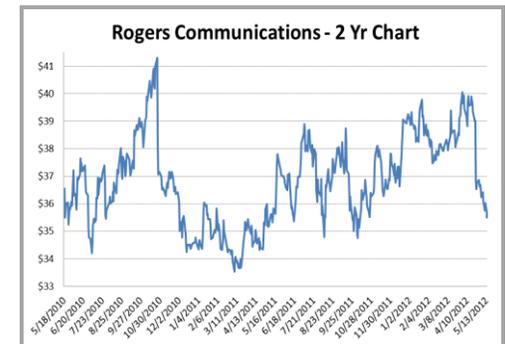
- Since our last newsletter, markets are mostly down and have been facing high volatility as global economic news came in mostly negative and the European sovereign debt crisis reignited in response to the radicalization of European politics.
- Global economic growth slid to a five-month low in April as indicated by a JPM Global All-Industry Output Index reading of 52.2. Economic activity was somewhat lower than expectations in the Eurozone and the U.S., two economies which weigh heavily on the index. Weaker than expected U.S. jobs data in April appeared to break the bullish syndrome which had entranced U.S. markets since December.
- Elections in Greece prevented the formation of a pro-bailout government resulting in the possible renunciation of the bailout agreement and a Greek exit from the Eurozone. Such an event could challenge the legitimacy of bailouts in Ireland and Portugal and limit Spain's, Belgium's and Italy's access to bailouts going forward. See Fig. 1 for chart of Eurozone PMI and GDP.

Fig. 1



Data Source: Markit, Eurostat

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

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

### Non-Bank, Low Beta Positions Continue to be Attractive

- Weakening global economic data and an escalation in the Eurozone debt crisis are adversely affecting investor sentiment
- Precious and base metals stocks appear to be forecasting a major dip in economic activity, a dip that is not reflected in most other sectors (i.e. Consumer Discretionary, Energy, Financials, and Industrials)
- We continue to favour the Telecom, Utilities and Consumer Staples sectors and wish to avoid adding to high-yield/debenture positions
- **Rogers Communications (RCI.B)** and **Shopper's Drug Mart (SC)** are two investment ideas related to this theme:
  - Rogers Communications is a diversified Canadian communications and media company. See Fig. 2 for 2-year chart.
  - Shopper's Drug Mart is a licensor of full-service retail drug, health and consumables stores in Canada. See Fig. 3 for 1-year chart.

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

**RioCan REIT Interest-Bearing Preferred C (REI.PR.C)**

- RioCan owns and operates retail real estate properties in Canada
- The shares reset at 3.18% + the 5-year GofC bond on June 30<sup>th</sup>, 2017
- At \$25.63, the issue has a yield-to-retraction (soft) of 4.18% and is rated Pfd-3 (high)

**Dundee Corp Preferred A (DC.PR.A) Retractable on June 30<sup>th</sup>, 2016**

- Dundee Corp is a diversified asset management company with a significant portion of its assets invested in Bank of Nova Scotia common and preferred shares
- At \$25.50, the issue has a yield-to-retraction of 4.63%; the shares are rated Pfd-3

**Northland Power Preferred A (NPI.PR.A)**

- Northland is a Canadian natural gas and renewable power producer
- The shares reset at 2.80% + the 5-year GofC bond on October 30<sup>th</sup>, 2015
- At \$25.30, the issue has a yield-to-retraction (soft) of 5.15% and is rated Pfd-3

THE BIG PLAN LIFE & DISABILITY INSURANCE PLANNING

In our January newsletter, we outlined the risk of disability and the cost therein as they pertain to the breadwinner of the family unit with the need for life insurance more or less implied. In the spirit of Mother’s Day, we will examine the need for disability and/or life insurance for the stay-at-home mom or dad, the oft underappreciated family member, especially by the media and insurance industries.

According to a 2011 Salary.com survey, the average stay-at-home mom would earn \$115,000 annually if she were to be paid for her 96.6 weekly hours of at-home work, with her primary roles being that of Housekeeper, Chef, Daycare Teacher, Facilities Manager, PC Operator, Janitor and Chauffer. Intuitively, the earnings will likely increase if a family has more children than average or has children with disabilities.

Though the stay-at-home parent goes underappreciated while living or able, the family will surely take notice should she/he no longer be unable to provide the family with ~100 hours per week of free labour. Considering the working parent receives CPP and group life or disability insurance benefits upon death or disability and the stay-at-home parent does not have an equivalent safety net, it is worth exploring the financial impact of the early death or disability of the stay-at-home parent. Acquiring additional life or critical illness insurance may be prudent, allowing a family to prepare for the added costs should it ever be without the support of the stay-at-home parent.

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

**Spring Cleaning** – When we think of spring cleaning we tend to think about our windows and closets and ignore our computers. Decluttering your PC or Mac by removing old programs, obsolete files and clearing your temporary internet files can help your system run faster. Keep hardware and software updated for the best performance, particularly anti-virus software.

**Current Rates & Data**

**Govt of Canada**

90 day	0.99%
1 year	1.20%
2 year	1.31%
5 year	1.49%
10 year	1.95%
30 year	2.47%

**U.S. Treasury**

90 day	0.10%
1 year	0.18%
2 year	0.28%
5 year	0.75%
10 year	1.80%
30 year	2.94%

**Canada Prime Rate**

3.00%

**U.S. Prime Rate**

3.25%

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

1.90%

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

2.70%

**Exchange Rates**

CAD/USD	0.997
USD/EUR	1.282
JPY/USD	79.84

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

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All rates mentioned within this newsletter are as of May 15<sup>th</sup>, 2012, unless otherwise stated.

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