

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

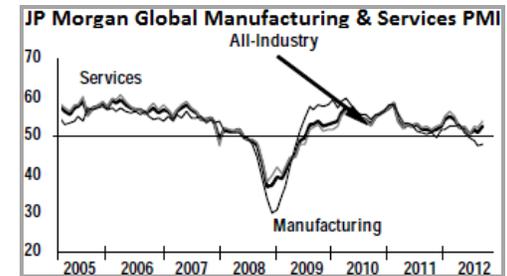
- Since our last newsletter, equity markets have been weak. The weakness was due to little news flow following the strong, stimulus-led rally seen since June leaving the market with few catalysts to continue its ascension. Recently, China injected \$86 billion into its money markets and Brazil and South Korea lowered interest rates but these actions were not enough to keep the rally going.
- Though many doubt the efficacy of stimulus, most economies around the world stabilized or grew in September. The global service sector rebounded in September, led by the U.S., UK, Brazil and Russia. The global manufacturing sector continued to contract though at a lower rate. The Chinese and Eurozone economies continue to be a drag on the world economy and improvement in those economies will be an essential ingredient in igniting sustainable global economic growth. See Fig. 1 for chart of the JPM Global Manufacturing & Services PMI.
- U.S. employment data has improved since the start of QE3. If central bankers around the world ultimately perceive QE3 as being effective at stimulating job growth, they may initiate similar programs.

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

Are There Still Any Commodities Worth Considering?

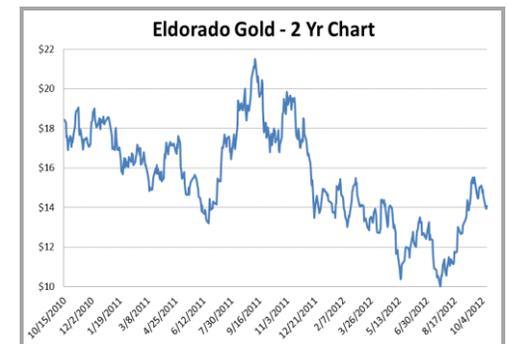
- Though the outlook for most commodities is grim, there may still be some secular bull markets in place
- Gold recently made nominal highs priced in the Euros and Swiss Francs and is trending upwards on the back of monetary stimulus
- North American natural gas prices continue to trend upwards as gas-focused rig counts decline and gas supplies in storage normalize
- **Eldorado Gold (ELD)** and **Birchcliff Energy (BIR)** are two investment ideas related to this theme:
 - Eldorado is a gold producer with operating mines in Turkey, China, Greece and Brazil. See Fig. 2 for 2-year chart.
 - Birchcliff is a Canadian oil and gas company with operations in the prominent Montney and Worsley plays. See Fig. 3 for 2-year chart.

Fig. 1



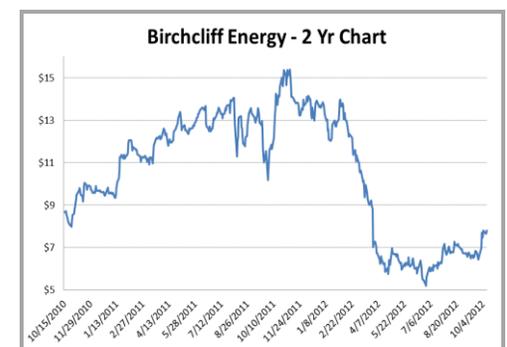
Data Source: JP Morgan, Markit; www.ism.ws

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

iShares J.P. Morgan USD Emerging Markets Bond Fund ETF (EMB)

- This ETF provides USD exposure to Emerging Market Sovereign Bonds
- It is primarily invested in the bonds of Brazil, Russia, Mexico, Turkey & the Philippines
- At \$123.02, the ETF yields 4.3% (4.1% yield-to-maturity) & has a duration of 7.7 years

iShares S&P/Citigroup International Treasury Bond Fund ETF (IGOV)

- This ETF provides USD exposure to All-World (ex-U.S.) Sovereign Bonds
- It is primarily invested in the bonds of Japan, Italy, Germany, France & the U.K.
- At \$103.40, the ETF yields 2.9% (1.9% yield-to-maturity) & has a duration of 6.6 years

INVESTMENT PLANNING A COMMENTARY ON BRINKSMANSHIP IN POLITICS

Webster’s defines **brinksmanship** as the art or practice of **pushing a dangerous situation or confrontation to the limit of safety** especially to force a desired outcome. Brinksmanship will no doubt be what forever defines our current lineup of politicians.

Perhaps it was growing up in the Cold War or watching too many Bond movies that made Western politicians embrace brinksmanship and hold world markets hostage in order to better get what they want. They appear to show no remorse and truly believe they are acting the way they ought to, similar to the Bond villains who all have some virtuous reason to promote chaos. The problem is that in all of those Bond movies, the bad guy never wins (okay, he sort of won once).

Below are just a few examples of brinksmanship seen over the past 18 months:

- Greece and the Troika arguing over budget cuts, both of which repeatedly threaten rescinding Greece’s EU membership in order to reach a deal on better terms
- Spain refused to request a bank bailout until its banking system was insolvent and Spain refusing to request a sovereign bailout until crisis hits and its bond yields rise
- U.S. politicians pushing back the fiscal cliff at the last second in 2011, resulting in a downgrade of U.S. debt and another fiscal cliff to be rappelled by January 2013

Joking aside, one thing is clear; **politicians are at war with your assets**. Politicians practicing brinksmanship hurts your near- and possibly long-term equity returns and forces central bankers to keep interest rates low, depressing fixed income returns. This uncertainty has led many investors to avoid investment markets entirely.

And just as James Bond’s heroics quash the problem, not the brinksmanship, no hero will emerge to quickly improve the current state of affairs. **Diversification, with a focus on dividend paying equities, continues to be the best method to beat the madness.**

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

Gifts of Charity with Tax Benefits for You: Donating securities is just one way individuals can leave a legacy while minimizing taxes. The capital gains inclusion rate for donations of securities is zero (i.e. none is included in your taxable income). With donated capital gains receiving such favourable tax treatment, consider giving a charity part of your portfolio instead of a cheque.

Current Rates & Data

Govt of Canada

90 day	0.96%
1 year	1.08%
2 year	1.08%
5 year	1.34%
10 year	1.82%
30 year	2.43%

U.S. Treasury

90 day	0.10%
1 year	0.17%
2 year	0.26%
5 year	0.68%
10 year	1.70%
30 year	2.90%

Canada Prime Rate

3.00%

U.S. Prime Rate

3.25%

Canada CPI Y-o-Y (Aug)

1.20%

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

1.70%

Exchange Rates

CAD/USD	1.014
USD/EUR	1.305
JPY/USD	78.89

This newsletter has been brought to you by Steele Wealth Management

Brian Steele, CA, CFA | Jeannine Campbell | Laura Prust, CPCA
Kelly Townsend | Matthew Bell, CFA | Keith Gummow, CFP, CLU, Ch.F.C.

Phone: (519) 883-6030 Toll-Free: 1 (877) 642-6408

Email: steelewealthmanagement@raymondjames.ca

Address: 1001-20 Erb Street West | Waterloo, Ontario | N2L 1T2

Website: www.steelewealthmanagement.com

**To opt out of receiving this newsletter, please reply to this e-mail with the word
“Unsubscribe” in the subject line.**

**If you know someone who would benefit from receiving this newsletter, please forward it to
them and let them know they can subscribe by emailing us at:
steelewealthmanagement@raymondjames.ca**

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 October 16th, 2012, unless otherwise stated.

This newsletter has been prepared by Steele Wealth Management and expresses the opinions of the author and not necessarily those of Raymond James Ltd. (RJL). Statistics, factual data and other information are from sources RJL believes to be reliable but their accuracy cannot be guaranteed. This newsletter is furnished on the basis and understanding that RJL is to be under no liability whatsoever in respect thereof. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. RJL and its officers, directors, employees and their families may from time to time invest in the securities discussed in this newsletter. This newsletter is intended for distribution only in those jurisdictions where RJL is registered as a dealer in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is strictly prohibited. Securities-related products and services are offered through Raymond James Ltd. Member-Canadian Investor Protection Fund. Insurance products and services are offered through Raymond James Financial Planning Ltd., which is not a Member-Canadian Investor Protection Fund.