

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

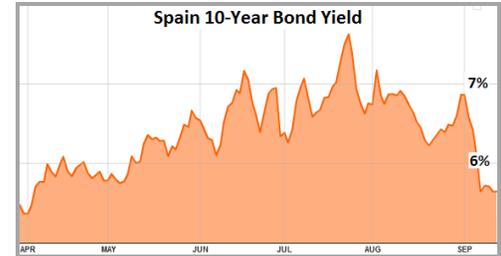
- Since our last newsletter, equity and commodity markets rallied. The notion set forth by the European Central Bank (ECB) to buy unlimited amounts of European sovereign bonds sparked a rally in European bank shares and Spanish and Italian bonds and broadly lowered global credit risk. The announcement of a Chinese stimulus plan with an emphasis on infrastructure spending as well as monetary stimulus (i.e. quantitative easing or QE3) in the U.S. reinforced this rally. See Fig. 1 for a chart of 10-year Spanish Bond Yields.
- Much of the stimulus outlined above was the result of deterioration in the global economy. The global manufacturing sector contracted at the fastest pace in over three years in August. The Chinese stimulus plan is expected provide a boost to its ailing manufacturing sector and marks a major shift in policy, which had previously been focused on curbing its red-hot property market.
- U.S. housing data continues to improve, bolstering confidence in the durability of the U.S. economic recovery. Employment growth has remained weak, triggering the U.S. Federal Reserve to initiate QE3.

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

End of Commodity Cycle + Global Stimulus = Growth Stocks

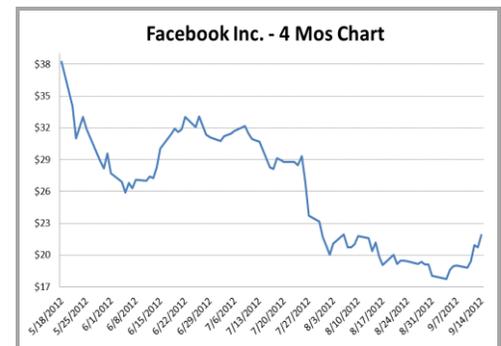
- As we noted last month, the lack of strength in the commodity sector (particularly base metals) may signal the end of the commodity cycle
- The stimulus measures outlined above will provide support for this sector but may not be enough to jump-start the commodity cycle
- This leads us to focus on U.S. growth stocks that will benefit from near-term stimulus as well as from an extended decline in input costs
- **Facebook Inc (FB)** and **UPS Inc (UPS)** are two investment ideas related to this theme:
 - Facebook owns and operates the world's largest social network. See Fig. 2 for 4-month chart.
 - UPS provides logistics and transportation services globally. See Fig. 3 for 1-year chart.

Fig. 1



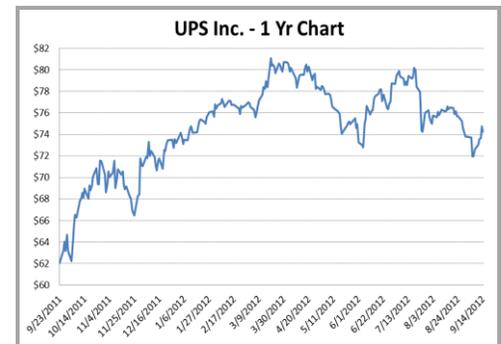
Data Source: JP Morgan, Markit; www.ism.ws

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

Chemtrade Logistics Debenture Maturing March 31st, 2017 (CHE.DB)

- Chemtrade manufactures and markets industrial chemicals in North America
- This is a 4.5 year debenture with a conversion price of \$16 (current price: \$16.30)
- This debenture yields 4.30% until maturity at a current trading price of \$106.87

Aimia (formally Group Aeroplan) Preferred A (AIM.PR.A)

- Aimia operates a loyalty management company in Canada and internationally
- The shares reset at 3.75% + the 5-year GofC bond on March 31st, 2015
- At \$25.92, the issue has a yield-to-retraction (soft) of 5.05% and is rated Pfd-3

RETIREMENT PLANNING DEFINED CONTRIBUTION PENSION PLANS

As most individuals assume their company’s retirement savings plans are in their best interest, many do not perform the necessary due diligence. Though Defined Benefit plans almost always were a ticket to paradise, Defined Contribution (DC) plans require some verification. Here are some questions DC plan subscribers should ask:

Does my employer match my contributions and by how much?

A 1:1 employer match is typically the most one can expect and many pension plans are now lowering their match rates due to the financial crisis. A plan where your employer doesn’t contribute anything at all is a bad plan.

How soon will my employer’s contributions legally belong (i.e. vest) to me?

The shorter the “vesting” period, the better. Two years is an ideal vesting period.

Can I take my money in cash if I leave the company?

Contributions are typically locked-in after two years of subscribing to the plan.

If I die, will my spouse still receive pension payments?

Plans typically allow you to choose between benefits that end at your death (most sizable benefit amount), benefits that pay a partial benefit at your death and benefits that end at the latter of you and your spouse’s death (lowest sizable benefit amount).

How much can I expect to receive at retirement?

This one is tricky. You have to ask multiple questions: What rate of return and rate of inflation does my plan estimate it can achieve? What fees are associated with the plan? What do I expect my salary to be in any given year and how does that affect the total contributions to the plan? Are all of these assumptions reasonable? Instead of relying on their projections of income, make your own using Excel, with your own assumptions and see if a conservative estimate meets your retirement goals.

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

Mobile Device Security: 87% are unaware that smartphones can transmit confidential payment info without being prompted. 67% do not use keypad locks. 65% worry more about laptop/PC security than mobile security. **Always lock your device. Use complex passwords.**

Current Rates & Data

Govt of Canada

90 day	1.02%
1 year	1.17%
2 year	1.19%
5 year	1.46%
10 year	1.95%
30 year	2.53%

U.S. Treasury

90 day	0.10%
1 year	0.16%
2 year	0.24%
5 year	0.69%
10 year	1.83%
30 year	3.05%

Canada Prime Rate

3.00%

U.S. Prime Rate

3.25%

Canada CPI Y-o-Y (July)

1.30%

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

1.40%

Exchange Rates

CAD/USD	1.028
USD/EUR	1.313
JPY/USD	78.73

This newsletter has been brought to you by Steele Wealth Management

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