

Taking Stock with Steele

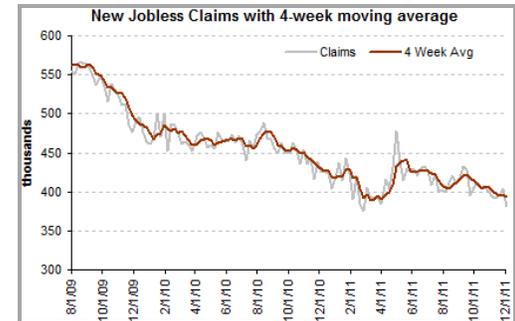
Your Monthly Newsletter

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

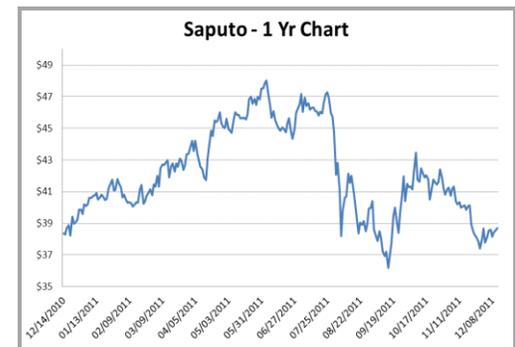
- Since our last newsletter, risk markets have been volatile and have lacked direction. Positive economic data out of the U.S., negative economic data out of China and mixed opinions on European debt initiatives and progress kept investors' conviction at bay.
- After a brief period of European bond contagion that sent yields on most peripheral and core European country bonds to Euro-era highs, sovereign debt concerns have waned due to greater progress toward the monetization of sovereign debt. The increased probability of monetization sent the Euro to an 11-month low versus the U.S. dollar.
- Though there have been plenty of positive economic data points coming out of the U.S. recently, the most noteworthy were those pertaining to the labour market. Unemployment dropped to 8.6% last month (9% was expected) and new jobless claims continue to come in under 400,000/week. See Fig. 1 for chart of New Jobless Claims (U.S.)

Fig. 1



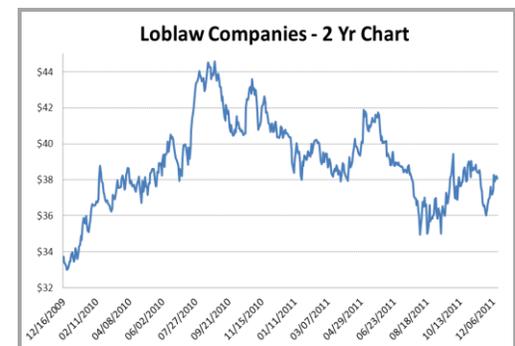
Data Source: Bloomberg.com

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

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

Consumer Staples: Cost concerns seem overblown

- Rising input costs due to natural disasters, unrest in the Middle East and changes to legislation have encumbered typically stable stocks
- Several Consumer Staples stocks are trading at a material discount to their historical trading average and/or range
- **Saputo (SAP)** and **Loblaw Companies (L)** are two investment ideas related to this theme:
 - Saputo is Canada's largest dairy producer and distributor and also operates dairy networks in the U.S. and Argentina. Cost pressures and the possibility of changes to Canada-U.S. dairy trade policy have adversely affected the stock. See Fig. 2 for 1-year chart.
 - Loblaw Companies is the largest food retailer in Canada, is a major financial service provider and manages several well-established brands including President's Choice (PC), No Name and Joe Fresh. Cost pressures have affected all grocery chains but Loblaw has unjustifiably underperformed its peers. See Fig. 3 for 2-year chart.

RIDING THE CURVE A CATALOG OF OUR MONTHLY FIXED INCOME FAVOURITES

Chemtrade Logistics Debenture A Maturing Dec. 31st, 2018 (CHE.DB.A)

- Chemtrade manufactures and markets industrial chemicals in North America
- This is a 7 year debenture with a conversion price of \$20 (current price: \$14.15)
- This debenture yields 6.97% until maturity at a current trading price of \$93.30

Rogers Sugar Debenture D Maturing Dec. 31st, 2018 (RSI.DB.D)

- Rogers Sugar refines, processes, distributes and markets sugar products in Canada
- This is a 7 year debenture with a conversion price of \$7.20 (current price: \$5.15)
- This debenture yields 5.83% until maturity at a current trading price of \$99.50

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 30th, 2017
- At \$25.05, the issue has a yield-to-retraction (soft) of 4.66% and is rated Pfd-3 (high)

THE BIG PLAN WILL PRPPs HAVE A ROLE IN RETIREMENT PLANNING?

The federal government recently introduced legislation proposing the addition of a new retirement savings plan for small businesses, the PRPP (Pooled Registered Pension Plan)

Benefits

- The PRPP will allow small businesses to attain the benefits of scale that most large corporations and public entities enjoy, lowering the cost of plan administration
- It is expected that employer contributions to an employee’s PRPP account will be payroll tax exempt, which is unlike the current rules regarding group RRSPs
- Small businesses can choose whether to participate in the PRPP or not, though the provinces have the right to enact auto-enrollment with an employee opt-out option

Drawbacks

- Employers are not required to match employee PRPP contributions
- Small businesses can choose whether to participate in the PRPP or not

It is unclear whether small businesses would perceive the PRPP scheme as worthwhile and if most small businesses choose not to opt into the PRPP scheme, the PRPP would quickly become a failure. Additionally, if employers do not offer to match employee contributions, we see little incentive for employees to participate in the program.

From our point of view, it is currently too early to tell whether the PRPP will spawn a small business pension system or not.

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

Visit the Learning Center at www.steelewealthmanagement.com for past TSWS newsletters.

Current Rates & Data

Govt of Canada

90 day	0.82%
1 year	0.86%
2 year	0.86%
5 year	1.22%
10 year	1.92%
30 year	2.52%

U.S. Treasury

90 day	0.00%
1 year	0.11%
2 year	0.23%
5 year	0.85%
10 year	1.91%
30 year	2.91%

Canada Prime Rate

3.00%

U.S. Prime Rate

3.25%

Canada CPI Y-o-Y (Oct)

2.90%

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

3.50%

Exchange Rates

CAD/USD	0.965
USD/EUR	1.304
JPY/USD	77.82

This newsletter has been brought to you by Steele Wealth Management

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