

# Taking Stock with Steele

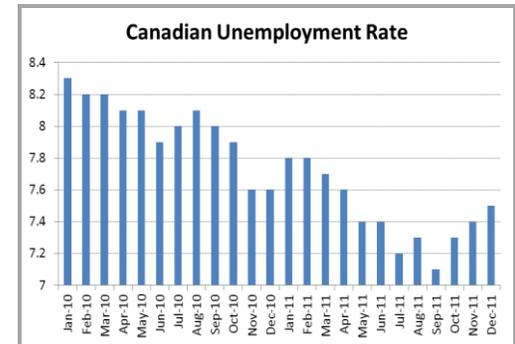
Your Monthly Newsletter

*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 on the back of improving economic data worldwide, with the JPMorgan Global All-Industry Output Index hitting a 9-month high in December.
- The Euro made 10+ year lows against the USD and the Yen as Eurozone leaders have yet to restore investor confidence despite several successful sovereign bond auctions and declines in sovereign bond yields and interbank lending rates.
- U.S. employment data continued to improve during the month with the unemployment rate dropping to 8.5% in December, its lowest level since early 2009, helping boost consumer sentiment and confidence to 8-month highs. Meanwhile, on the home front, the Canadian jobs picture continues to slowly worsen with the unemployment rate hitting an 8-month high in December at 7.5%. See Fig. 1 for chart of the Canadian Unemployment Rate

Fig. 1



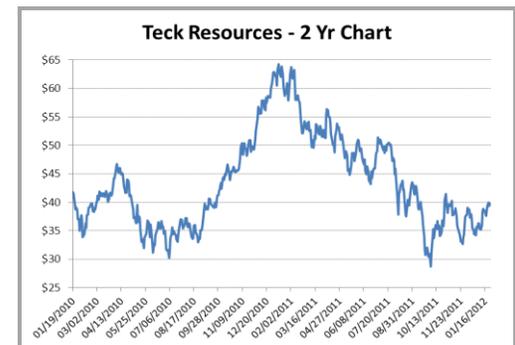
Data Source: StatsCan

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

### Gearing Up for Possible "Gear Year"?

- The third year of a recovery, aka the "Gear Year", is often when economic activity begins to accelerate at a rapid pace
- Improving economic data in the world's Big 3 economies, the U.S., Eurozone and China may be signaling the start of a "Gear Year"
- Industrial companies and base metals producers benefit from growing capital goods and housing demand
- **Teck Resources (TCK.B)** and **Labrador Iron Mines (LIM)** are two investment ideas related to this theme:
  - Teck is North America's largest producer of metallurgical coal (used in steel-making), a major producer of copper and zinc and a future Alberta oil sands operator. See Fig. 2 for 2-year chart.
  - Labrador Iron Mines is Canada's newest iron ore producer having started production in late 2011. Highly levered to current prices, LIM is in prime position to take advantage of a rebound in iron ore prices should economic activity expand. See Fig. 3 for 2-year chart.

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

## RIDING THE CURVE A CATALOG OF OUR MONTHLY FIXED INCOME FAVOURITES

### Primaris REIT Debenture C Maturing Nov. 30<sup>th</sup>, 2018 (PMZ.DB.C)

- Owns and operates retail real estate properties in Canada
- This is a 6.8 year debenture with a conversion price of \$28.84 (current price: \$20.85)
- This debenture yields 5.14% until maturity at a current trading price of \$101.50

### Russel Metals Debenture Maturing Sept. 30<sup>th</sup>, 2016 (RUS.DB)

- Engages in the processing and distribution of metals in North America
- This is a 4.75 year debenture with a conversion price of \$25.75 (current price: \$24.6)
- This debenture yields 3.82% until maturity at a current trading price of \$116.75

### Killam Properties Debenture B Maturing Dec. 1<sup>st</sup>, 2017 (KMP.DB.B)

- Owns/operates multi-family, student and manufactured communities and campsites
- This is a 5.9 year debenture with a conversion price of \$14.60 (current price: \$11.94)
- This debenture yields 4.95% until maturity at a current trading price of \$102.50

## THE BIG PLAN DISABILITY INSURANCE AND LIFE'S GREATEST FINANCIAL RISK

Suffering a disability during your high-earning years can pose the greatest emotional and financial challenge you ever may face.

### *Odds of Disability Are Higher Than Most Think*

- At age 35, the odds of suffering a three-month or longer disability before you reach age 65 are **50%**. At age 45, the odds are **40%**. (1985 Commissioners Ind. Disability Table A)
- One out of every seven workers (~14%) will suffer a disability lasting at least five years before age 65. (1985 Commissioners Ind. Disability Table A)

### *Financial Effects of Disability*

- Government and group insurance benefits usually replace only a fraction (often 67%) of your income and force you to change your lifestyle or put financial goals on hold
- Health care and “accommodative” expenses can skyrocket when disabled, depending on the disability, increasing your total spending needs

For those without hefty emergency funds or adequate individual disability insurance, the combination of diminished income and increased expenses as a result of a disability can cause severe cash flow issues (i.e. the need to supplement income by drawing on RRSPs or credit lines) and make it difficult to meet previously set financial goals (i.e. funding children’s education, a comfortable retirement).

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

**2012 is a Leap Year** – that means the RRSP Contribution deadline for the 2011 taxation year is **February 29<sup>th</sup>, 2012**. If you have a systematic contribution set up that will hit March 1<sup>st</sup>, it will be applied to the 2012 taxation year. Please don’t leave RRSP contributions to the last minute.

### Current Rates & Data

#### Govt of Canada

90 day	0.75%
1 year	0.96%
2 year	0.97%
5 year	1.29%
10 year	1.95%
30 year	2.52%

#### U.S. Treasury

90 day	0.03%
1 year	0.10%
2 year	0.22%
5 year	0.80%
10 year	1.88%
30 year	2.93%

#### Canada Prime Rate

3.00%

#### U.S. Prime Rate

3.25%

#### Canada CPI Y-o-Y (Nov)

2.90%

#### U.S. CPI Y-o-Y (Nov)

3.40%

#### Exchange Rates

CAD/USD	0.985
USD/EUR	1.273
JPY/USD	76.82

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

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All rates mentioned within this newsletter are as of January 17<sup>th</sup>, 2011, unless otherwise stated.

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