The Steele Group™

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Quarterly Newsletter

# Q3 2013 Market Summary

The world's stock markets posted strong returns in the third quarter of 2013, staging a healthy rebound from the summer's lows. As they have for several years, fixed-income markets continued to be driven by central bank policy, and had mixed results for the period.

Prices for interest rate-sensitive asset classes, including investment-grade and high-yield corporate bonds, and real estate investment trusts, had declined in tandem with the spike in bond yields, but regained some ground late in the third quarter. The DEX Universe Bond Index, which represents Canadian corporate and government bond prices, eked out a gain of 0.1% for the three-month period, though it was still down 1.6% for the year-to-date.

Global equity markets, meanwhile, were buoyed by continued modest economic growth, low interest rates and the Fed's commitment to its stimulus program. U.S. stocks as measured by the S&P 500 Index reached a record high during the quarter, adding 5.2% for the three months and bringing its gain to 19.8% for the first nine months of the year (in U.S. dollars). Overseas, European bourses added to their gains for the year despite the difficult economic conditions in much of the region. In Asia, Japan's Nikkei Index continued to move up, posting a world-leading return of 39.1% for the year-to-date. Investors also shrugged off their concerns about emerging markets, as these regions rebounded with a positive return for the quarter.

It has now been five years since U.S. investment banking firm Lehman Brothers failed in September 2008, triggering the global financial crisis. Although effects of the crisis still linger, the good news is that the world economy is gradually healing. Over the past five years, the coordinated efforts of governments and central banks to return confidence to the financial system have been largely successful. The global economy remains on a path of slow growth, while corporate profits, employment and housing data have shown improvement. Inflation remains under control.

Equity markets have recovered strongly since the crisis, though with high levels of volatility. Markets remain sensitive to short-term disruptions, such as the U.S. government shutdown in the first week of October. In fact, the last five years have been an excellent time to be investing. For the five-year period ending September 30, 2013, the S&P 500 had an average annual compound return of 9.4% and the MSCI World Index, 7.8%. The S&P/TSX Composite Index lagged but still had a respectable return of 4.8% (all returns in Canadian dollars). This shows how maintaining a disciplined and diversified investment program can succeed, even through incredibly difficult conditions.

As we enter the final quarter of this year, I remain focused on helping you create an investment portfolio that is best suited to your long-term goals, based on your unique circumstances and risk tolerance. Should you have any questions about your investments, please do not hesitate to contact my office.



Want more information? Call us at 1.888.824.4351 today to schedule your one-on-one consultation.

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