

# Market News

**2nd Quarter 2014**



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After a hesitant start to 2014, positive trends in the global economy helped to push both equity and bond prices higher in the second quarter of the year, and the Canadian dollar rose in value relative to its U.S. counterpart.

Canadian equities as measured by the S&P/TSX Composite Index reached a new high in mid-June, breaking the previous record set in June 2008. After lagging other regions throughout the global economic recovery, Canada has become one of the world's best-performing major markets in 2014, returning 6.4% for the second quarter and nearly 13% for the year-to-date, including dividends. Canadian stocks benefited from higher prices for natural resources, particularly energy, lifted by the conflicts in Ukraine and Iraq and improving economic data from China. Banks and other financial services companies also posted strong results.

Other global capital markets were also broadly positive for the quarter. In the U.S., the S&P 500 Index followed its muted first quarter performance with a healthy second quarter gain of 5.2% (or 1.6% when expressed in Canadian dollars), and it also reached a new high in mid-June. European markets continued to make gains during the second quarter and most indexes in Asia also advanced in local currency terms, although results for the first half of the year remained mixed. The MSCI World Index rose 5%, or 1.5% in Canadian dollar terms.

Central banks around the world maintained their cautious tone, keeping monetary policy highly accommodative to growth. Global interest rates remained largely unchanged – or in the case of the Eurozone, were slightly lower – allowing government bond prices to drift upward. The FTSE TMX Canada Universe Bond Index, a measure of Canadian government and investment-grade corporate bonds, added nearly 2% for the quarter. The increase in the Canadian dollar, meanwhile, reflected the economy's perceived strength, as well as higher resource prices.

Markets have made strong gains in recent years, and the global economy's modest expansion continues to support a positive outlook for equities as we enter the second half of 2014. The volatility that characterized most of the recovery has subsided for the time being, and many of the risks that have threatened growth, including Europe's debt struggles and the slowdown in China, have also faded. Nevertheless, I continue to believe that a well-diversified portfolio that is tailored to your individual objectives and risk tolerance is prudent. This diversification will help to maximize returns for your portfolio, while mitigating risks as they occur, including the possibility of rising interest rates.

In closing, I would like to wish you and your family a safe and relaxing summer. If you would like to discuss your portfolio, or any other wealth management issues, please do not hesitate to contact my office.

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