

2014 Economic Review and Future Forecast

2014 In Review

Overall, 2014 was a very positive year of growth for investors in Canada and in other countries.

The Canadian stock market was impacted by significantly lower oil prices as well as other commodity prices, but still produced a 10.6% return.

Fixed Income rebounded from 2013 with an 8.8% gain for the year.

U.S. Equities continued to lead the way with a 24.0% gain.

International Equities did not fare as well with only a 4.2% gain in the EAFE Index.



Outlook for 2015

The Canadian dollar continues to suffer versus the US dollar in early 2015. There are a number of experts who believe it could drop as low as \$0.70 to \$0.75 versus the US dollar.

This would continue to have a positive effect on manufacturing firms, but the Canadian stock market may continue to lag though as long as oil prices remain low. Energy stocks represent 21.20% of the holdings of the S&P/TSX Composite Index.

The two issues that will impact 2015 are the same as noted for 2014:

- Government debts (Greece, Spain, Portugal and Ireland) are resurfacing as major issues.
- Long term interest rates may start to rise in late 2015, which would have a negative impact on Fixed Income Funds. Also note that Asset Allocation funds often include 20% to 80% Fixed Income Funds in their portfolio.

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