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**MARKET SUMMARY**— September provided another weak showing for global equities as Canadian equity market continued trending lower. The broad based S&P/TSX Composite index lost another 3.67% on a total return basis for the month. Smaller capitalization stocks were hammered as the TSX Venture plunged, taking back 6.16% from investors over the same period. On a more encouraging note, a solid rebound in June and July's GDP data may indicate suitable improvement for the Canadian economy which seems to have come out of the so-called technical recession.

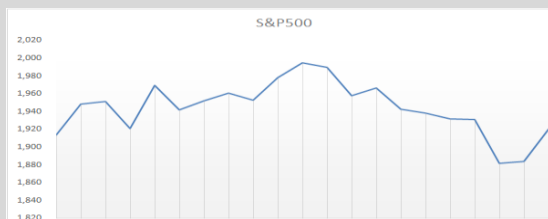
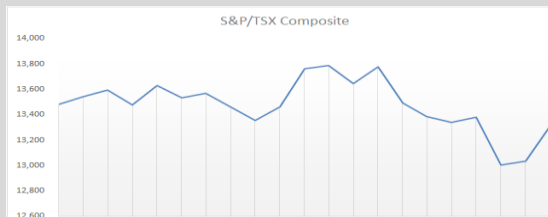
Equity markets south of the border experienced a similar result to events north of the border, with the S&P500 giving up early gains and handing investors a total return loss of 2.47% for September. Small cap and technology focused companies also declined further with the NASDAQ declining 3.2% net of dividends, and the blue chip Dow Jones Industrial Average losing 1.35% inclusive of dividends.

The equity picture across the Eurozone was also much the same, with the EuroSTOXX 50 index giving back 5.05% on a total return basis, however, year-to-date total returns remain in positive territory. The total return for the MSCI EAFE (Europe, Asia and Far East) index dropped 5.08%, while the MSCI Emerging Markets index declined 3.01% on a total return basis. The persistent sub-par performance of the global economy has been characterized by slowing world trade, a persistently low interest rates environment, low commodity prices, as well as negative geopolitical events and temporary interruptions due to strikes and bad weather.

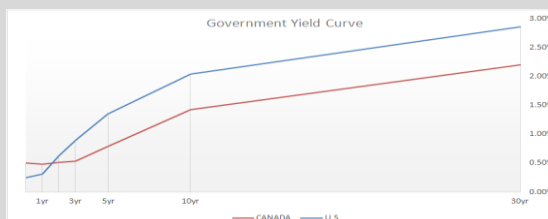
**CANADA**—The Canadian economy has been divided in its affect from two primary drivers; output growth has been constrained by broad-based weakness in the value of commodity-related exports, and the possibility for further retrenchment and investment cutbacks in the resource sector principally led by ongoing oil price pressure. The depth and broadness of the Canadian economy however, has been able to offset some portion of the commodity related weakness, and instead focus on exports to a resilient United States and its large, broad based service sector, including financials, business and technology services.

## MARKET DIARY -- MONTH AT A GLANCE

| Equities              | Close Sept 30 | MoM TotRet | YTD TotRet |
|-----------------------|---------------|------------|------------|
| S&P/TSX Composite     | 13,306.96     | -3.67%     | -7.02%     |
| S&P/TSX Venture       | 524.58        | -6.16%     | -24.40%    |
| Dow Jones             | 16,284.70     | -1.35%     | -6.95%     |
| S&P500                | 1,920.03      | -2.47%     | -5.29%     |
| NASDAQ                | 4,620.17      | -3.20%     | -1.52%     |
| FTSE 100              | 6,061.61      | -2.88%     | -4.91%     |
| EURO STOXX 50         | 3,100.67      | -5.05%     | 1.37%      |
| Nikkei 225            | 17,388.15     | -7.46%     | 1.10%      |
| MSCI EAFE             | 4,612.07      | -5.08%     | -5.28%     |
| MSCI Emerging Markets | 339.39        | -3.01%     | -15.47%    |



| Fixed Income                                                                         | Yield  | MoM Chg  | YTD Chg  |
|--------------------------------------------------------------------------------------|--------|----------|----------|
|  |        |          |          |
| BoC Overnight Rate                                                                   | 0.50%  | n/c      | -50 bps  |
| 3mos Canada T-Bill                                                                   | 0.43%  | +7 bps   | -49 bps  |
| 2yr Canada                                                                           | 0.52%  | +8bps    | -49bps   |
| 10yr Canada                                                                          | 1.43%  | -6bps    | -36 bps  |
| 30yr Canada                                                                          | 2.20%  | -4bps    | -14 bps  |
|  |        |          |          |
| Fed Funds Rate                                                                       | 0.25%  | n/c      | n/c      |
| 90d U.S. T-Bill                                                                      | -0.02% | -112 bps | -113 bps |
| 2yr UST                                                                              | 0.63%  | -15 bps  | -5 bps   |
| 10yr UST                                                                             | 2.04%  | -8 bps   | -6 bps   |
| 30yr UST                                                                             | 2.85%  | -4 bps   | +4 bps   |



| Currencies | Sept 30 | MoM Chg | YTD Chg |
|------------|---------|---------|---------|
| CAD/USD    | 0.7512  | -1.29%  | -12.70% |
| USD/CAD    | 1.3313  | +1.32%  | +14.56% |
| CAD/EUR    | 0.6720  | -1.00%  | -5.51%  |
| CAD/JPY    | 90.0450 | -2.40%  | -12.62% |
| CAD/GBP    | 0.4966  | +0.14%  | -10.10% |

| Market Factors         | Sept 30 | MoM Chg | YTD Chg |
|------------------------|---------|---------|---------|
| Volatility Meter – VIX | 24.50   | -3.93   | +5.30   |
| Advance/Decline – TSX  | 4.71    | +3.56   | +3.30   |

Source: Bloomberg

Increase in July GDP was built on the solid foundation of GDP growth in June, which presented a strong bounce back from the so-called technical recession in May. The rebound from the weak growth in the first half of 2015 indicates strengthening exports and consumer spending which more than offsets the continued weakness in commodities.

**UNITED STATES**—A weak global economy is taking its toll on the sustainability of U.S. economic growth. Although the United States has generally been a singular source of strength among developed nations, and despite the surprisingly large upward revision to U.S. Q2 GDP growth, consensus expectations are calling for real growth to slow to about 1.0% by the third quarter. This restraint in economic activity is largely a result of a widening U.S. trade deficit and slower rates of inventory accumulation. Any impending dip in Q3 GDP growth will certainly have significant implications for the Fed, which has been anxiously awaiting the opportunity to shift course in monetary policy and institute the first policy rate hike since 2007, but also cautiously surveying the economic climate to ensure a move prematurely doesn't choke the sustainability of a delicate U.S. recovery in the face of ongoing global weakness.

A slower pace of growth for Q3, if this occurs, would make it questionable whether the Fed would move forward to increase rates in December as markets have generally been expecting, and instead, push the likely timing for a move to the end of the first quarter of 2016.

Further delays in Fed tightening would of course provide tangible benefits in several areas. Narrower short-term interest rate differentials between the U.S. and other countries would ease upward pressure on the U.S. dollar and thereby help support manufacturing output and corporate profitability in general. Lower interest rates for longer would also provide further momentum for gains in the U.S. housing market, and likely, provide more stability to financial markets. These benefits however, would be moderate and short lived, as interest rates are still likely headed higher in 2016!

**GLOBAL**— Global economic growth continues to decelerate, extending a trend that has been prevalent over the past several months and led by the slowdown in China. As the Chinese economy continues to look for a sustainable, but lower, rate of economic growth than what the world has been accustomed to over the past several decades, the impact of a slowing China will be felt differently among emerging nations and developed nations with large commodity and resource exposure (i.e. Canada), in comparison to other developed economies such as the United States and the Eurozone. In fact, for both of these economies, the drop in commodity prices is actually helping as consumer demand takes advantage of improvements in real income brought on by the strong decrease in commodity prices, and specifically the fallout in oil and gasoline prices.

The Eurozone has strengthened over the last several quarters and expectations are that economic growth will remain positive over the next several more. Many market observers also expect the European Central Bank (ECB) will extend its quantitative easing program beyond its original end date of September 2016, which implies that the ECB and Fed will continue to diverge in monetary policy, with the implication that the Euro will be restrained from appreciating.

## ASSET ALLOCATION —TACTICAL POSITIONING

*Strategic asset mix addresses the blend of the major asset classes offering the risk/return trade-off best suited to an investor's profile. It can be considered to be the benchmark investment plan that anchors a portfolio through many business and investment cycles, independent of a near-term view of the prospects for the economy and related expectations for capital markets. Tactical asset allocation refers to fine tuning around the strategic setting in an effort to add value by taking advantage of shorter term fluctuations in markets.*

|                               |                    |
|-------------------------------|--------------------|
| <b>Fixed Income</b>           | <i>Underweight</i> |
| <b>Canadian Equities</b>      | <i>Neutral</i>     |
| <b>U.S. Equities</b>          | <i>Neutral</i>     |
| <b>International Equities</b> | <i>Overweight</i>  |
| <b>Emerging Markets</b>       | <i>Underweight</i> |

- *Overweight equities versus fixed income*
- *Overweight exposure to U.S. and international equities*
- *Focus on quality and lower beta securities*
- *Focus on defensive equity sectors*
- *With volatility likely to be elevated, time entry points—buy on pullbacks*

## KEY ECONOMIC INDICATORS – CANADA



| Event                                | Date   | Consensus Est.            | Prior                       |
|--------------------------------------|--------|---------------------------|-----------------------------|
| RBC Canadian Manufacturing PMI (Sep) | 1-Oct  | 48.6 A                    | 49.4                        |
| Bloomberg Nanos Confidence (Oct)     | 5-Oct  | 55.6 A                    | 54.4                        |
| Int'l Merchandise Trade (Aug)        | 6-Oct  | -\$1.20Bil (-\$2.53Bil A) | -\$0.59Bil (-\$0.82Bil R)   |
| Housing Starts (Sep)                 | 8-Oct  | 202.0k (230.7k A)         | 216.9k (214.3k R)           |
| New Housing Price Index YoY (Aug)    | 8-Oct  | 1.3% A                    | 1.30%                       |
| Unemployment Rate (Sep)              | 9-Oct  | 7.0% (7.1% A)             | 7.00%                       |
| Net Change in Employment (Sep)       | 9-Oct  | 10.0k (12.1k A)           | 12.0k                       |
| Participation Rate (Sep)             | 9-Oct  | 65.8 (65.9 A)             | 65.9                        |
| Existing Home Sales MoM (Sep)        | 15-Oct | -2.10%                    | 0.30%                       |
| Manufacturing Sales MoM (Aug)        | 16-Oct | -1.0% (-0.2% A)           | 1.7%                        |
| Int'l Securities Transactions (Aug)  | 16-Oct | \$3.11Bil                 | -\$10.12Bil (-\$10.09Bil R) |
| Wholesale Trade Sales MoM (Aug)      | 20-Oct | n/a                       | 0.00%                       |
| Retail Sales MoM (Aug)               | 22-Oct | n/a                       | 0.50%                       |
| Retail Sales Ex Auto MoM (Aug)       | 22-Oct | n/a                       | 0.00%                       |
| CPI YoY (Sep)                        | 23-Oct | n/a                       | 1.30%                       |
| CPI Core YoY (Sep)                   | 23-Oct | n/a                       | 2.10%                       |
| Industrial Product Price MoM (Sep)   | 29-Oct | n/a                       | -0.30%                      |
| GDP MoM (Aug)                        | 30-Oct | n/a                       | 0.30%                       |
| GDP YoY (Aug)                        | 30-Oct | n/a                       | 0.80%                       |

A=actual; R=revised

Source: Bloomberg

## KEY ECONOMIC INDICATORS – U.S.



| Event                                   | Date       | Consensus Est.            | Prior                       |
|-----------------------------------------|------------|---------------------------|-----------------------------|
| Markit US Manufacturing PMI (Sep F)     | October 01 | 53 (53.1 A)               | 53                          |
| Construction Spending MoM (Aug)         | October 01 | 0.5% (0.7% A)             | 0.7% (0.4% R)               |
| ISM Manufacturing (Sep)                 | October 01 | 50.6 (50.2 A)             | 51.1                        |
| Wards Domestic Vehicle Sales (Sep)      | October 01 | 13.80Mil (14.36Mil A)     | 13.80Mil                    |
| Wards Total Vehicle Sales (Sep)         | October 01 | 17.60Mil (18.07Mil A)     | 17.72Mil                    |
| Change in Nonfarm Payrolls (Sep)        | October 02 | 200k (142k A)             | 173k (136k R)               |
| Unemployment Rate (Sep)                 | October 02 | 5.1% (5.1% A)             | 5.1%                        |
| Average Hourly Earnings YoY (Sep)       | October 02 | 2.4% (2.2% A)             | 2.2%                        |
| Labor Force Participation Rate (Sep)    | October 02 | 62.4%                     | 62.6%                       |
| Factory Orders (Aug)                    | October 02 | -1.2% (-1.7% A)           | 0.4% (0.2% R)               |
| Trade Balance (Aug)                     | October 06 | -\$48Bil (-\$48.33Bil A)  | -\$41.86Bil (-\$41.81Bil R) |
| Consumer Credit (Aug)                   | October 07 | \$19.5Bil (\$16.018Bil A) | \$19.097Bil (18.944Bil R)   |
| Initial Jobless Claims (Oct)            | October 08 | 274k (263k A)             | 277k (276k R)               |
| Import Price Index YoY (Sep)            | October 09 | -11.2% (-10.7% A)         | -11.4% (-11.3% R)           |
| Wholesale Inventories MoM (Aug)         | October 09 | 0% (0.1% A)               | -0.1% (-0.3% R)             |
| Wholesale Trade Sales MoM (Aug)         | October 09 | -0.4% (1.0% A)            | -0.3%                       |
| Retail Sales Advance MoM (Sep)          | October 14 | 0.2% (0.1% A)             | 0.2% (0% R)                 |
| Retail Sales Ex Auto MoM (Sep)          | October 14 | -0.1% (-0.3% A)           | 0.1% (-0.1% R)              |
| PPI Final Demand YoY (Sep)              | October 14 | -0.8% (-1.1% A)           | -0.8%                       |
| PPI Ex Food and Energy YoY (Sep)        | October 14 | 1.2% (0.8% A)             | 0.9%                        |
| Business Inventories (Aug)              | October 14 | 0.1% (0% A)               | 0.1% (0% R)                 |
| CPI YoY (Sep)                           | October 15 | -0.1% (0% A)              | 0.2%                        |
| CPI Ex Food and Energy YoY (Sep)        | October 15 | 1.8% (1.9% A)             | 1.8%                        |
| Philadelphia Fed Business Outlook (Oct) | October 15 | -2 (-4.5 A)               | -6                          |
| Industrial Production MoM (Sep)         | October 16 | -0.2% (-0.2% A)           | -0.4% (-0.1% R)             |
| Capacity Utilization (Sep)              | October 16 | 77.3% (77.5% A)           | 77.6% (77.8% R)             |
| U. of Mich. Sentiment (Oct P)           | October 16 | 89 (92.1 A)               | 87.2                        |
| Housing Starts (Sep)                    | October 20 | 1142k                     | 1126k                       |
| Housing Starts MoM (Sep)                | October 20 | 1.4%                      | -3.0%                       |
| Building Permits (Sep)                  | October 20 | 1165k                     | 1170k (1170k R)             |
| Building Permits MoM (Sep)              | October 20 | -0.4%                     | 3.5% (3.5% R)               |

|                                     |            |         |                 |
|-------------------------------------|------------|---------|-----------------|
| Existing Home Sales (Sep)           | October 22 | 5.37Mil | 5.31Mil         |
| Existing Home Sales MoM (Sep)       | October 22 | 1.1%    | -4.8%           |
| Markit US Manufacturing PMI (Oct P) | October 23 | 53      | 53.1            |
| New Home Sales (Sep)                | October 26 | 540k    | 552k            |
| New Home Sales MoM (Sep)            | October 26 | -2.2%   | 5.7%            |
| Durable Goods Orders (Sep)          | October 27 | -1.1%   | -2.0% (-2.3% R) |
| Durables Ex Transportation (Sep)    | October 27 | n/a     | 0.0% (-0.2% R)  |
| S&P/Case-Shiller US HPI YoY (Aug)   | October 27 | n/a     | 4.69%           |
| Consumer Confidence Index (Oct)     | October 27 | 101     | 103             |
| GDP Annualized QoQ (3Q A)           | October 29 | 1.9%    | 3.9%            |
| Personal Income (Sep)               | October 30 | 0.2%    | 0.3%            |
| Personal Spending (Sep)             | October 30 | 0.2%    | 0.4%            |
| Real Personal Spending (Sep)        | October 30 | n/a     | 0.4%            |

A=actual; R=revised

Source: Bloomberg

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