



## Capital Wealth Management

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## Market Overview—2009 A Year to Remember

2009 was a year to remember. The beginning of the calendar year for the stock market was like nothing we have seen before. Stock market optimism was at an all time low, investors were questioning their portfolio, job security, and future. Just when investors were ready to throw in the towel and surrender, the markets and the economy started to rebound.

The lows in the stock market hit us hard in March and from that point on, the markets went on a buying spree like none other. As the global financial crisis eased, a combination of record low interest rates, government spending, and rock bottom stock market prices triggered a massive rebound in equity markets. The TSX stock market closed the year up about 30%, and investors who stayed the course in 2009, were rewarded with excellent returns in all asset classes. The only poor performing asset class in 2009 was cash. With interest rates dropping to record lows, cash yielding investments reflected those low interest rates. On the positive side, the Bank of Canada has been stating that they will be raising interest rates in 2010 which should have a positive effect on low earning savings vehicles, but could add cost to those who are borrowing money through loans and mortgages.

So looking forward to 2010, don't expect the same spectacular returns that we saw in 2009. The experts are saying that markets will go up in 2010, but not to the extent we saw in 2009. Among the G7 countries, it's possible that Canada will outperform based on strength of our resource sector. Some experts are saying

we could see gains in the range of 10% - 20%. Canadian and global markets are expected to be more volatile as governments stop stimulus spending, and focus on reducing their massive debts.

According to a recent survey of investment management professionals, 83% predict stocks will rise in 2010. The most favored sectors are Resources, Energy and Financials. As I've always said, the markets are really like the weather: spring, summer, winter and fall. The start of 2009 was a brutal winter storm, but in mid March, spring came quickly and within a few months, we had a beautiful summer. As investors, we all need to have the ability to dress for all occasions: heavy jackets in winter, and shorts and t-shirts in summer. In your portfolio, make sure you have a well diversified portfolio of cash, fixed income, and equities.

In closing, I truly want to emphasize the need to stay the course, get good advice, and have a balance in your portfolio.

I want to wish all of you a wonderful 2010. I hope for good health, happiness and great financial success to you and your family.

Dave Somerville CFP

