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## Market Overview - A Year Like No Other in the Stock Markets and the Economy

By now there is no doubt that the current financial crisis is the worst we have seen since 1929. This financial crisis may not be over but there are a few signs that the worst is behind us. 2008 will go down as the year of the stock market crisis, a banking crisis, a credit crisis and global economic slowdown, all happening at the same time.

During the past 6 months or so, investors have been gripped by fear. Every newspaper you read or TV newscast is talking about the economy. We've seen stock markets retreat, the price of oil plummet which is a good thing for drivers, but not good for investors. We've seen interest rates shrink to record levels, we've seen job loss in the thousands country wide and we've seen consumers stop shopping. All of these things have basically stopped the economy from moving forward and has lead businesses to shut down. The stock market is a reflection of company's earnings and when earnings are not there, the price of the stock and the markets have to drop. On the positive side, the Canadian economy has faired well in respect to other world markets.

With regards to a turn around, we need three things to change moving forward in order to see this mini recession stop. We need home prices in the U.S. to stabilize and hopefully move higher, we need all banks to open their doors to more lending and thirdly we need job stability. There are signs that things are starting to change in our favor.

In the U.S. home prices, which were falling by 2% monthly, have started to stabilize. Currently they are falling by 0.5% monthly and at this rate, U.S. real estate prices will stop falling altogether by the early part of this year.

Second, with governments stepping in to assist banks with liquidity and removing

some of the toxic assets from their balance sheets, credit flow in the marketplace will resume, and that will pave the way for a lending recovery.

Thirdly, job stability is really up in the air at this time. The automotive industry, which employs a large percentage of working Canadians, is on shaky ground. Just from my own conversations with friends, clients and business owners, the manufacturing industry is really being hit with hard times.

As investors in real estate, stocks and business, we need to understand that this global crisis will eventually end. Some economists are predicting the markets starting to move forward by summer and that the recession could be over by the end of 2009.

Always remember that there are two types of losses with your money: permanent and temporary losses. Permanent are the losses you trigger because you did not give your investments time to heal from the accident and temporary losses are if you are prepared to hold the course for the healing of your money. If you don't need the money, our advice is to hold the course and rebalance assets when things recover to an appropriate level.

These times have been very challenging for us as Advisors, but I can say that I am comfortable on how we managed all of our client's assets in this crisis. It has been a very difficult year for investors worldwide, and all stock market investors have seen their portfolios decrease in 2008. But as government policy works its way through the system this recession might end up being milder than currently discounted by the market. In such a case, look for a solid recovery in equities in 2009 and/or 2010.

