2009 Market Commentary

As we begin a new year, the economy and overall business and investor confidence continue to strengthen. It's a marked contrast from a year ago, when the news was dominated by frozen credit channels, recessionary economic conditions and a sharp decline in share prices.

A turnaround began in the spring, as economies gradually stabilized and credit markets re-opened thanks to stimulus action by governments and central banks. This was accompanied by a sustained stock market rally that began in the first quarter and continued throughout the summer and fall. Although still shy of their high points reached in 2007 or 2008, many global markets have rebounded smartly since bottoming in March.

Canadian stocks as measured by the S&P/TSX Composite Index have risen over 50% since their low point in early March. In the U.S., the S&P 500 Index is up more than 60%. Most other world equity indexes are also firmly in positive territory. The Canadian dollar, meanwhile, gained about 15% against the U.S. greenback in 2009. While this has been another factor making our home market a good place to invest, it also has the effect of offsetting gains in U.S. and other foreign investments.

Just how closely your own portfolio's performance has mirrored the rebound in the broader markets depends on several factors, including overall asset allocation, geographical diversification, and the decisions made by individual portfolio managers. However, the year's events underscore the importance of a structured, well-diversified portfolio, and of avoiding the temptation to "time" the markets by jumping in and out of investments in reaction to short-term conditions. Investors with the fortitude to stay the course over the past year have benefited from the turnaround. For example, Statistics Canada, reports that Canadian households gained about $268 billion in net worth between April and September 2009, mainly on the strength of their equity and real estate investments.

As we enter 2010, recent data indicate that the recession has given way to a very real, if uneven, global economic recovery. While the U.S. housing market weakness that contributed to the credit crisis still lingers, the Canadian real estate market remains strong. Demand for commodities is supporting both the Canadian dollar and equity market. Nonetheless, the Bank of Canada recently renewed its pledge to keep its benchmark interest rate at a record low of 0.25 per cent to foster continued growth. The developed economies of Europe and Asia are also recovering, while emerging markets, especially China, are posting relatively strong growth.

Sincerely,

Rona & Clifford