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These past number of weeks have been trying times to be an investor as 2010 is shaping up to a battle between recovery and the consequences of the financial crisis and other major issues. Volatility has returned in full force and it is becoming increasingly difficult to gauge where the market is heading.

The first quarter was encouraging as the recovery began to take hold. In Canada, the S&P/TSX Composite Index reached an 18-month high, while the U.S. S&P 500 Index had its best first-quarter performance since 1998. This progress in financial markets was supported by significant economic improvement in many regions. Before Europe's financial woes started to dominate the headlines, stocks were surging in the hopes that the U.S. economy was in the midst of a sharp rebound from the bottom -- hence the description of it as being V-shaped.

However, a few months of encouraging momentum has come to a screeching halt as the European debt crisis, the Gulf oil spill, flash crashes, unstable geopolitical events and just recently, dismal employment numbers out of the U.S. have sent shock waves across the stock market and have unveiled a new

fear of a double dip recession.

I would like to address the two headline-dominating issues that are potentially affecting the market.

Oil Spill in Gulf of Mexico

There is no question the oil spill in the Gulf of Mexico will have an enormous and unprecedented environmental cost. However, economic fallout from the disaster is likely to be relatively moderate. Going forward, the activity associated with the clean-up will offset a portion of the negative financial impact. Similarly, Canada's fisheries could get a boost if consumers shy away from US seafood and our oil and gas sector are positioned to gain from the deepwater moratorium.

European Crisis

The more serious financial issue has been grabbing headlines for the past few months now as the effects of the European debt crisis is rippling through markets and countries.

The real fear here is that countries such as the PIIGS (Portugal, Ireland,





Market Overview

Italy Greece and Spain) are not going to be able to repay their growing debt obligations.

Therefore, Europe’s debt crisis has led to mounting fears that government spending cut-backs could hobble the global economy. In the interconnected world, even Canada’s rapidly rebounding economy could be at risk should conditions in the US or Europe continue to deteriorate. Demand for Canadian resources and commodities exports could be in jeopardy.

So where do we go from here?

Short-term volatility should continue for the foreseeable future in the stock market. Unfortunately, at this stage the market is reacting to headlines more than fundamentals. One of the few good things to come out of the 2007-08 crisis was that many governments learned from the mistakes of the US banks, and are proactively addressing spending and cut-back issues.

In closing, a well-diversified portfolio geared toward your financial goals and risk tolerance is still the best defense against market volatility. Over the past 50+ years, stock market downturns have lasted approximately 9 months and losses on average totaled -28%. On the positive side, the average length of a bull market has average 44 months and in that period the gain in the

upturn has been +120%.

If you have any questions about your investments or any other financial matters, please feel free to contact the office at 905-682-5789



Capital Wealth Management

ADVICE | DESIGN | RESULTS

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