

Financial Markets Review

Week Ending December 31, 2009

The Year in Review

World equity markets dropped to multi-year lows in March of 2009, amidst negative news surrounding the global economic recession. Fears dominated regarding the recession's depth and the potential length of time recovery would require. Governments around the world injected billions of dollars to stabilize the global financial system. By mid year, optimism grew, in anticipation that the worst of the global recession was over and that recovery was underway. By the end of the year markets had rebounded into positive territory for the year as investors started to move from safe haven government bonds to equities, looking for additional yield.

- The S&P/TSX enjoyed its best annual gain since 1979 beating the S&P 500 for the sixth consecutive year. For Canadian U.S. equity investors, a gain of 23.5% for the S&P 500 was strongly curtailed by the appreciation of the Canadian dollar.
- The MSCI World equity index posted its biggest advance since 2003, gaining 27% (9.7% Canadian dollar adjusted)
- The overnight lending rate was cut from 1.50 to 0.25% early in 2009, and is widely expected to remain there until mid 2010. The potential threat for higher rates remains, however in the coming years, as inflation creeps back into the economy.
- Canadian bonds posted positive returns for the year, with the benchmark DEX Universe gaining 5.4%. Corporate Bonds strongly outperformed Government issues.
- The Canadian dollar bounced back from a sharp drop in 2008, based on a rally in commodities, and US\$ negativity. The Canadian dollar finished the year at 95.54 cents U.S., up 15.7% on the year.

Equity Indices	Level	2009 % Change (Cdn \$)
S&P/TSX Composite	11,746	30.7%
DJIA	10,428	2.7%
S&P 500	1,115	6.7%
NASDAQ	2,269	24.3%
Russell 2000	625	8.2%
Nikkei 225	10,546	0.2%
EAFE	1,581	10.4%

Source: TD Asset Management. The Information contained herein is neither all-inclusive nor guaranteed by Reuter Benefits and is subject to change as market and other conditions warrant. This report is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any individual or corporate investment.

