

2010 Financial Markets Review/Outlook

After a strong recovery of financial markets in 2009, investors' patience was further rewarded in 2010 with continued market gains. Continued economic recovery and rising commodity prices were significant factors in producing a gain for S&P/TSX of 14.4%.

U.S. Equities continued their positive trend in 2010 due to an improvement in corporate earnings and industrial output, with the S&P 500 Index gaining 9.4% Canadian for the year. The rising Canadian dollar negatively impacted this rate of return.

European markets experienced lower rates of return due to concerns about economic stability and sovereign debt in several countries.

From an interest rate perspective, the Bank of Canada increased its benchmark rate three times in 2010, increasing the rate from .25% at the beginning of the year to 1.0% due to the growing economy and rising inflation.

The Canadian stock market is expected to continue to produce positive returns in the first half of 2011.

Despite government debt and continuing high unemployment, the U.S. market is also expected to produce modest positive returns.

International markets may be hampered by sovereign debt in Europe and inflation in Asia.

Investors are reminded of the continuing importance of keeping a disciplined, long-term perspective regarding market cycles. It is recommended that investors maintain a diversified investment strategy and review their investments when they receive their year end statement to ensure they are invested according to their risk tolerance.

The Reuter Benefits team of professionals is available to assist members in understanding their investments and planning for their retirement. Please contact us at retire@reuterbenefits.com or call us at 1-800-666-0142.