

# Economic review

Second Quarter 2009

## The economy

The slowing global economy and concerns over rising unemployment were the primary economic themes during the second quarter of 2009. Although the economy continues to struggle, there were signs of a rebound in consumer confidence during this quarter.

Index	Three months	One year at June 30, 2009
S&P/TSX	19.96	-25.69
S&P 500 (\$C)	6.93	-15.79
MSCI EAFE (\$C)	15.71	-21.66
DEX Univ Overall Bond TR*	1.25	7.02

\*Previously ScotiaMcLeod Universe TR

## Canada

Continued global economic weakness permeates the headlines and the psyche of Canadians. Despite the headline weakness, there has been a resurgence in consumer confidence, as indicated by the strength of the housing market in June. The price of oil was up 45 per cent in the second quarter of the year as were commodities; a significant rebound from the previous quarter. The Canadian dollar experienced a rise of 8.4 per cent during the quarter to end the period at \$0.8602 USD. The Bank of Canada lowered interest rates in April to a historic low of 0.25 per cent and signalled that interest rates would remain low for most of the coming year.

The DEX Bond Universe posted a 1.25 per cent return during the second quarter. The S&P/TSX gained 19.96 per cent during the second quarter. Nine out of 10 sectors had positive performance; the best performing sectors were Information Technology and Financials. Meanwhile, the Telecom and Material sectors were the weakest performing in the quarter.

## United States

The United States economy continues to shed jobs, as the jobless rate climbed to 9.5 per cent, the highest level in over 20 years. The bankruptcy of General Motors and the subsequent equity stakes taken by both the United States and Canadian governments have dominated economic and financial news. The size of the U.S. federal government deficit and required borrowing for stimulus plans spooked the bond market for much of May and June; bond yields have risen as a consequence. The risk is that the rising interest rates could put a

damper on any recovery self-manifested by the economy. The Federal Reserve continued its policy of maintaining very low interest rates with the historic low level of 0.25 per cent. Despite the continuing release of weak economic data, the rate of negative change is slowing and confidence is increasing among consumers and businesses.

The S&P 500 (\$C) posted a 6.93 per cent return during the second quarter. Nine out of 10 sectors had positive performance; the best performing sectors were Financials and Information Technology. Meanwhile, the Telecom and Health Care sectors were the weakest performing in the quarter.

## Globally

The entire world has experienced the impact of the credit crunch and slowing economies. Some bright spots in the dim global economy continue to be India and China, while Europe and the United Kingdom still carry some elements of economic weakness. This quarter marks China as overtaking the United States as the largest market for automobiles; just one more example of the move by China towards global economic leadership.

## Final words

A disciplined and diversified approach to investing that's consistent with your objectives should be a consideration when developing an investment strategy. This strategy should also reflect the risk characteristics of each investment option within your portfolio as well as your overall risk tolerance. Great-West Life provides the tools and information needed to help achieve your retirement and savings goals. For information about specific investments available to your group retirement plan, visit [www.grsaccess.com](http://www.grsaccess.com).

Sincerely,



Director  
National Investment Services  
Great-West Life