

Economic review

Third Quarter 2009

The economy

The slowing global economy and concerns over rising unemployment were the primary economic concerns during the third quarter of 2009. A rebound in consumer confidence during the quarter saw optimism return to the markets, despite a rise in unemployment rates.

Index	3 months	1 year Sept. 30, 2009
S&P/TSX	10.62%	0.51%
S&P 500 (\$C)	6.63%	-5.83%
MSCI EAFE (\$C)	10.18%	4.43%
DEX Univ Overall Bond TR*	2.71%	10.34%

*Previously called ScotiaMcLeod Universe TR

Canada

Many economists and politicians have commented that the recession is over. While the recession may be technically over, many people and businesses may still be feeling the effects of the economic downturn for years to come. However, this rising optimism was reflected in the bond market, the stock market, commodities and in residential real estate. The Canadian dollar saw some resurgence, rising 8.4 per cent during the quarter to end the period at US\$0.9327. The rising Canadian dollar has sparked concern that it may derail Canada's economic recovery and hurt export industries. The Bank of Canada has maintained its historically low interest rate of 0.25 per cent and has signalled that interest rates will remain low for most of the coming year.

The DEX Bond Universe posted a 2.71 per cent return during the third quarter, while the S&P/TSX gained 10.62 per cent. Eight out of 10 sectors had positive performance; the best performing sectors were Health Care and Material. Meanwhile, the Information Technology and Consumer Staples sectors were the weakest performers in the quarter.

The S&P 500 (\$C) posted a 6.63 per cent return during the third quarter. Eight out of 10 sectors had positive performance; the best performing sectors were Financials and Industrials. Meanwhile, the Telecom and Utilities sectors were the weakest performing in the quarter.

United States

The U.S. economy continued to shed jobs; its unemployment rate climbed to 9.8 per cent, the highest level in over 25 years. Concern over the stability of the U.S. dollar was a leading economic issue.

Continued trade deficits and budget deficits of historic proportions put downward pressure on the U.S. dollar against all major global currencies. The Federal Reserve continued its policy of very low interest rates of 0.25 per cent. A positive note was the extent of earnings reported by many U.S. companies, which exceeded market expectations. This pleasant surprise was part of the reason for the recent rebound in stock markets. The rebound in confidence was exhibited in the resurgence of stocks tied to a growing global economy, such as the raw materials sectors and the industrial sectors. The appetite for long-term assets increased substantially over the last seven months.

Global

India and China continue to be the bright lights in a dim global economy. Other countries such as Australia and Brazil have appeared as engines of potential growth for the world economy. The weakening of the U.S. dollar saw many countries searching for another currency or asset for their reserves. This strategy caused the price of gold to move higher, as more countries looked to gold to provide their foreign currency reserves.

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.

Sincerely,



Director
National Investment Services