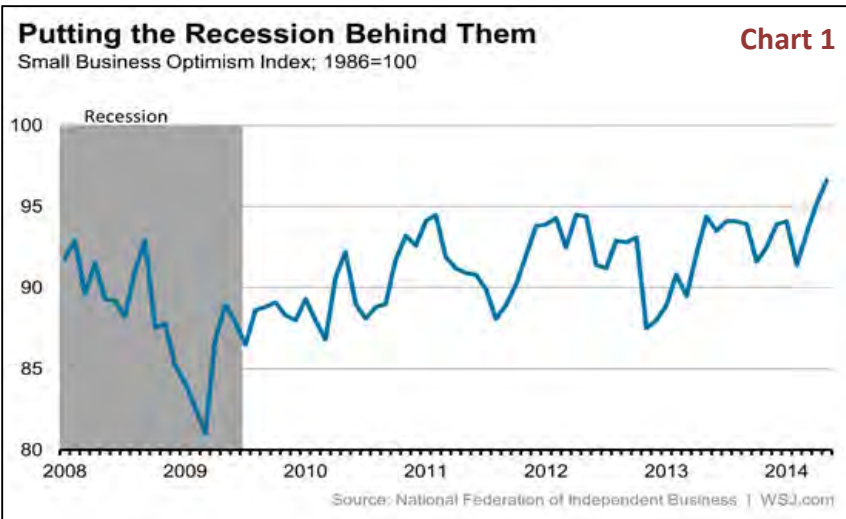


The Goodreid Gauge

Summer 2014

The second quarter was another successful period for Goodreid clients as the Canadian, U.S. and Fixed Income components of portfolios all advanced, in addition to outperforming their respective benchmarks. Goodreid's balanced mandates are in their tenth consecutive year of outperformance against their benchmark, that benchmark being the average performance of group of approximately 750 balanced portfolios managed by a wide range of Canadian institutions, from banks and insurance companies to private Portfolio Managers.



The progression of North American economies is unfolding as we expected with the exception of the timing, which has been somewhat slower than we thought it would be. Interest rates have remained lower for longer, but as economic strength develops they will rise to more historically normal levels, in keeping with their stage within the economic cycle. This reality has finally been digested by financial markets and the paradoxical view that a strong economy is bad for equity prices is, thankfully, fading away.

Chart 1 illustrates the optimism of business owners, who are responsible for many inputs to a successful economy, including hiring decisions and deployment of capital. The crisis of 2008/09 left many business owners and a few long-term investors convinced that the economies extended to the Boardrooms of North American companies. As the economy delivers better news, however, investors will take notice that further support the economy, a "springing up" the economy to positive environments. Chart 2 further reinforces the argument that the economy is improving. Real deposits are a terrific gauge of economic activity as they are a reflection of a wide cross-section of the economy, from retail to industrial to energy. Real deposits continue to be depressed but commercial, chemical and automobile deposits are up strongly. We will be watching this indicator closely in coming quarters.



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