

## Economic review

First Quarter 2010

### The economy

The global economy is showing signs of life and appears to be emerging from the recession. A rebound in consumer confidence during the quarter matched continued optimism in the financial markets.

Index	3 months	1 year Mar. 31, 2010
S&P/TSX	3.14%	42.15%
S&P 500 (\$C)	2.27%	20.70%
MSCI EAFE (\$C)	-2.12%	24.46%
DEX Univ Overall Bond TR *	1.26%	5.13%

\*Previously called ScotiaMcLeod Universe TR

### Canada

The Canadian economy has shown signs of resilience, with a number of positive economic statistics such as GDP. The Canadian dollar rose 3.05 per cent during the quarter to end the period at US\$0.9846. The price of crude oil was up nine per cent in the quarter, ending the period at \$81.20 per barrel. 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 the first half of 2010. The housing market continues to be strong. Home buyers may be rushing into the market over fears of rising interest rates or may have purchased a home in advance of changes to mortgage rules that came into effect in April. Housing prices in Canada have reached record levels in many markets.

The DEX Universe Bond index posted a 1.26 per cent return during the first quarter, while the S&P/TSX index gained 3.14 per cent. Nine out of 10 sectors had positive performance; the best performing sectors were Financials and Health Care. Meanwhile, the Consumer Staples and Energy sectors were the weakest performers in the quarter.

The S&P 500 (\$C) posted a 2.27 per cent return during the first quarter. Five out of 10 sectors had positive performance; the best performing sectors were Industrials, Financials and Consumer Discretionary. Meanwhile, the Telecommunications and Utilities sectors were the weakest performing in the quarter.

### United States

The U.S. economy appears to be strengthening. The Federal Reserve continued its policy of very low interest rates of 0.25 per cent. The low level of real interest rates has helped fuel the rally in financial markets over the last year. There have been a number of positive economic

data releases in the last quarter, including positive real GDP releases and a slight improvement in the unemployment rate. The U.S. economy's greatest challenge is the creation of new jobs. As business profitability improves, the probability of new job opportunities increases. A significant landmark during the quarter was the passing of Health Care reform legislation. The positive social benefits of the coverage come with the possibility of higher taxes down the road to fund the program.

### Global

The great concern affecting the worldwide economy and global markets revolves around Greece and its debt load. Bailout plans proposed by the European Union have calmed investors' concerns to some extent. Greece's debt situation has put the spotlight on sovereign debt around the world and did have a negative impact on interest rates in global bond markets.

China continues to post very strong economic performance, with GDP up 11.9 per cent in the first quarter. There are concerns that there will be inflationary consequences if this rapid growth continues.

### 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,



Robbin Dichter

Director  
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Great-West Life

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