Quarterly Exchange

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Through the *Quarterly Exchange*, we'll keep you up-to-date on current investment trends and strategies. We are committed to working one to one with you to help you achieve your financial goals. Please contact us if you have any questions or wish to discuss any of the articles in this newsletter.

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TSX: Better Times Ahead

By Benjamin Tal, Managing Director and Deputy Chief Economist, CIBC

History is on the side of the TSX. Over the past two decades, whenever the TSX lagged the S&P 500 by a wide margin, it rebounded by an average of no less than 16% in the following year. And the coming year may be no exception – mainly given that the TSX underperformance reflected an array of events impacting a number of different sectors. The energy sector was hit by the discount on Canadian oil, gold prices fell and fears regarding a hard landing in China hurt base metal stocks. As well, financials were held back by slowing credit growth and the fear of a housing market meltdown. The telecom industry reacted negatively to fears regarding increased competition from the U.S., while the latest potash saga did not help the other materials sector.

But that's the past. The TSX as a whole is reasonably priced, with a forward PE ratio of 13 still a full point below its long-term average. Meanwhile, earnings yields are still well above what is offered by the bond market.

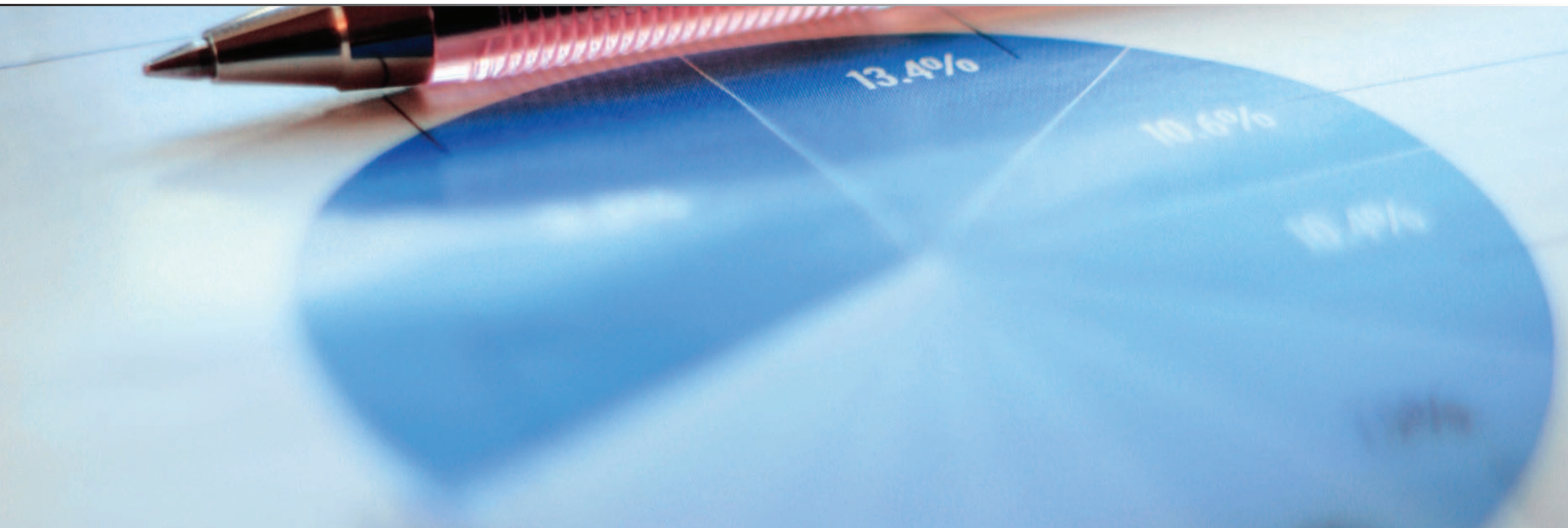
For the energy sector, West Texas Intermediate (WTI) is back above the $100 mark and the gap relative to Europe's Brent closer to normal. While the market is still concerned about the ability of oil sands producers to ship their oil, those fears are less intense, given alternative proposals for pipelines to the West and East coasts, as well as the potential increase in rail transportation capacity. Also, with the market already factoring in a falling trajectory of oil prices in the coming two to three years, valuations in the energy sector appear to be reasonable.

For base metals it's all about China. We are receiving good news with Chinese authorities, not having to run anything by Congress, appearing to have engineered a soft landing. Industrial production growth has risen back above 10%, while retail sales advanced by 13.3% year-over-year in September.

As for financials, while a slowdown in the housing market is still in the cards, the likelihood of a dramatic correction is slim – and it appears that the market is waking up to this reality. The soft household credit space is partly offset by a very strong business credit market with credit outstanding currently rising by more than 8% on a year-over-year basis. The recent correction in the bond market and the resulting steeper yield curve is working to improve spreads and therefore supports profitability. Accordingly, the financial sector might surprise on the upside in the coming few quarters.

The bottom line is that many of the forces leading to the notable underperformance of the TSX versus the S&P 500 are now behind us. With the TSX not expensive by any stretch of the imagination, it is possible that Canadian stocks might surprise on the upside in the coming year.

Find Your Competitive Edge With A Capital Accumulation Plan (CAP)



Business owners know that quality employees are essential to the success of their business. It can be difficult finding and retaining talented employees. A Capital Accumulation Plan (CAP) may give business owners the competitive edge they have been looking for.

CAPs are an employer-sponsored investment plan designed especially for the needs of independent businesses. A CAP can serve as a cost-effective and tax-deductible way to build employee loyalty. Not only are business owners providing employees a tax-effective way to save for their future, they are also letting employees know that their financial needs are important.

Of those surveyed, 69% are worried that they won't have enough savings to maintain their current lifestyle in retirement. This figure increases to 78% for those who don't currently have a workplace retirement plan.

Source: The National Workplace Savings Survey by Manulife Financial

Benefits Of A CAP

Flexibility: CAPs can give business owners the flexibility to either make contributions on behalf of their employees or facilitate employee contributions through payroll.

Freedom: Employees can choose from several options within the CAP, giving them the freedom to decide where to invest and how much to save.

Account Options

Business owners can offer their employees several account options when establishing a CAP, including:

- **Group Registered Retirement Savings Plan (Group RRSP)**
  A Group RRSP is an employer-sponsored plan for the employees of the company. Group RRSPs are similar to individual RRSPs; however, they are administered as a group.
- **Defined Contribution Pension Plan**
  A Defined Contribution Pension Plan helps employees save for retirement by providing a specific accumulated value made up of contributions to the plan, plus tax-sheltered investment earnings.
- **Deferred Profit Sharing Plans (DPSP)**
  DPSPs are a great way for employees to gain a sense of ownership as the employer shares a portion of profits of the company with their employees. The business owner would decide on the percentage of profits that the employee will receive.

The absence of a workplace retirement plan would discourage 69% of employees from switching jobs to that employer.

Source: The National Workplace Savings Survey by Manulife Financial

To discuss whether a CAP might be right for your company, contact your CIBC Wood Gundy Investment Advisor today.

Five Essential Tax Tips For Investors

Business owners know that high quality employees are essential to their sucess. Knowing how tax rules affect your investments is crucial to working to maximize your after-tax returns. Here are some ideas that you can discuss with your tax advisor to consider incorporating into your tax planning strategy:

1. Maximize RRSP

Depending on your circumstances, you should consider contributing your maximum Registered Retirement Savings Plan (RRSP) amount every year, at the beginning of the year. If you have any contribution carry forward room, make a point of catching up as soon as possible. An RRSP can be a very flexible and tax-efficient way to save for retirement.

2. Contribute To A Tax-Free Savings Account

The Tax-Free Savings Account (TFSA) allows all Canadian residents age 18 and older to set money aside in eligible investment vehicles and earn tax-free investment income or gains. In 2013 you can contribute up to $5,500 to your TFSA, plus any unused room and any amounts withdrawn in previous years, excluding amounts withdrawn to correct an over-contribution. In addition to these benefits, you will have the flexibility to withdraw your savings whenever you need them.

3. Review Of Portfolio

Review your entire portfolio (registered and non-registered) from a tax perspective. If you tend to purchase a large amount of fixed income investments, it may benefit you to try to purchase the higher interest-paying investments inside your registered plan, and purchase the more "tax-favoured" dividend or capital gains paying investments outside of it. Also, remember that you cannot take advantage of any losses in a registered plan.

4. Tax Loss Selling

If you have sold some assets and realized capital gains in the year, and you are holding other assets with unrealized losses, consider selling them as well. This will allow you to realize losses to offset the capital gains. This is often referred to as "tax loss selling." The selling transaction must settle before the last business day of the year and you have to watch out for the "superficial loss rules" (e.g., do not repurchase the loss security within 30 days before or after the sale).

5. Income Splitting

Consider taking advantage of any income splitting strategies which may be available to you, including spousal RRSPs, RESPs, splitting eligible pension income with your spouse, and transferring assets to create capital gains in the hands of a minor child. Be aware of the rules regarding deemed dispositions and income attribution, and make sure to get professional assistance.

CIBC Miracle Day

History

CIBC Miracle Day came to conception in 1984, when a CIBC Wood Gundy office in Toronto came up with an idea that would forever change the lives of children across Canada.

Branch Manager Timothy Miller and the Investment Advisors at the 42nd Street branch – named after the famous 42nd Street in New York and located on the 42nd floor of the Head Office – decided to donate their commissions for one day of business to children's charities.

The fundraiser was initially named Miracle on 42nd Street, and in that first year $163,935 was raised by this one branch. Since then, CIBC Miracle Day has grown expeditiously. Throughout the past 29 years, the original objective has remained: investing in the lives of children to help prepare them for the future.

About CIBC Miracle Day

Each year, participating CIBC Wood Gundy Investment Advisors and CIBC's Wholesale Banking employees donate their fees and commissions to help kids in need on the first Wednesday in December. Since its inception, Miracle Day has raised $69 million for children's charities across Canada and $219 million globally.

CIBC Miracle Day 2012

Last year's CIBC Miracle Day was held on December 5, 2012, and a whopping $4.5 million was raised for children's charities in 125 communities across Canada. A number of celebrities also volunteered their time to raise awareness and support for this wonderful cause.

"For me to be a part of CIBC Miracle Day is a blessing," said Hollywood superstar Mark Wahlberg, who joined CIBC employees on the bank's Toronto trading floor. "It's all about the kids. I certainly can't forget about where I came from or the kids who are facing the obstacles that I had to face and overcome."

In addition to Mark Wahlberg, other celebrity volunteers included Kevin O'Leary, Michael "Pinball" Clemons, Tie Domi, Rosie MacLennan, Simon Whitfield and Trevor Linden.

Become Involved

On December 4, 2013, you can help make a miracle happen. Trade with CIBC Wood Gundy and invest in kids. To find out how, contact your CIBC Wood Gundy Investment Advisor.