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Outlook for Canadian and Global Capital Markets in 2015: Optimism has Returned According to Canada's Investment Dealer CEOs

More than two-thirds of CEOs are predicting higher firm profitability

Toronto, Thursday, January 8, 2015 – Survey results released today by the Investment Industry Association of Canada (IIAC) show that Canada's investment industry leaders are optimistic about the outlook for capital markets and their individual firms in the coming year.

According to *IIAC 2015 Capital Markets Outlook: A Survey of Canada's Investment Industry CEOs*, 87 per cent of CEO respondents are forecasting status quo or improved conditions for global capital markets in the year ahead while 81 per cent share this outlook for Canada's markets.

"These results presage attractive opportunities for investors in the coming year, particularly given that our surveys of investment dealer CEOs have proven remarkably accurate," said Ian Russell, IIAC President and CEO, in a keynote address to the Empire Club of Canada's 2015 Investment Outlook Luncheon. "In the two previous years that we have conducted this survey, the predictions of cautious optimism were borne out. It is reasonable to presuppose that the outcome for 2015 will confirm our findings."

Russell points out that the survey was undertaken before the collapse in oil prices and the related market decline, but as the latest market ups and downs remind us, the bad news of the past three months stands a good chance of being reversed.

Additional grounds for optimism stems from the fact that 69 per cent of investment dealer CEOs are predicting their firm's profitability will be up in 2015 – a substantial increase from the 48 per cent who forecasted this last year. This means for the third year in a row, industry operating profits will increase for small, medium and large firms, respectively.

Further, when asked whether they anticipate any changes in their firms' investment advisor headcount, a majority of CEOs – 72 per cent – say they plan to bring more onboard in 2015. This is up significantly from last year's finding of 52 per cent.

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“In assessing our economic future, the investment industry is the canary in the coalmine,” Russell said. “The industry depends on market activity – financing and trading. That is a distillation of people’s expectations of the economy, economic confidence and corporate earnings. In other words, the industry’s health is a short-handed way of interpreting how people are thinking.

“It would appear our industry and Canadian investors have much to look forward to in 2015.”

Barriers to Growth

The pre-eminent roadblock to growth continues to be the ongoing regulatory burden. When asked to list the top three barriers facing their firms in 2015, 84 per cent cite regulatory pressures, a similar finding from the previous surveys.

Underscoring the significance of this roadblock is the fact that the second most cited barrier – competitive pressures – was cited by only 40 per cent of respondents.

Russell concludes: “Despite the regulatory burden and competitive pressures in the investment industry, the survey’s indication of improved business conditions is great news for the industry, their clients and the economy.

“This is a healthy picture. While we face challenges, investment industry CEOs see a confident investment marketplace.”

About the Survey

The IIAC issued the survey in December 2014 to the CEOs of its 160 member firms. Survey respondents represent every region of the country and business model: small retail dealers (39 per cent); institutional dealers (16 per cent); integrated dealers, including bank-owned (13 per cent); medium retail dealers (23 per cent); and large, non-bank owned retail dealers (10 per cent).

Responses are consistent among small, medium and large dealer firm CEOs.

The IIAC – Representing Canada’s Investment Professionals

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 161 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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