

Weekly Commentary – June 7, 2010

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Economic Calendar

Date	Release	Period	Consensus	Previous
U.S.				
June 7	Consumer Credit	April 10	-\$1.0B	+\$2.0B
June 9	Wholesale Inventories	April 10	+0.6%	+0.4%
June 10	Trade Balance	April 10	-\$41.6B	-\$40.4B
June 10	Treasury Budget	May 10	\$127.0B	\$189.0B
June 10	Initial Jobless Claims	Week ending June 5	435K	453K
June 11	Retail Sales	May 10	+0.2%	+0.4%
June 11	Retail Sales ex. auto	May 10	+0.1%	+0.4%
June 11	Business Inventories	April 10	+0.5%	+0.4%
Canada				
June 8	Housing Starts	May 10	205.0K	201.7K
June 10	New Housing Price Index	April 10	+0.4%	+0.3%
June 10	Int'l Merchandise Trade	April 10	n/a	\$0.3B
June 11	Capacity Utilization	Q1 10	74.0%	70.9%

Key Earnings:

June 7 – Thor Industries, Xceed Mortgage
 June 8 – Agria, Forzani Group, Stanley, Talbots, Men's Warehouse
 June 9 – Ciena, Saputo, Viterro, Western Canadian Coal
 June 10 – Del Monte, Finisar, Lululemon Athletica, National Semiconductor
 June 11 – Patheon

Source: CIBC World Markets, Bloomberg

Market Focus

Bank of Canada begins tightening cycle

For the first time since July 2007, and the first time in Governor Mark Carney's tenure, the Bank of Canada raised interest rates following its latest policy deliberations. While it appears that a tightening cycle has now begun, the press release that accompanied the move indicated that the timing of any future rate increase will be considered cautiously. "Given the considerable uncertainty surrounding the outlook, any further reduction of monetary stimulus would have to be weighed carefully against domestic and global economic developments." Clearly, a steady string of rate hikes should not be anticipated.

North American employment marches higher

Both Canada and the U.S. added jobs during the month of May. While the U.S. gain of 431,000 was the largest monthly advance in more than 10 years (March 2000), temporary Census employees made up the bulk of the total. At the same time, Canada's job gains of 24,700 in May were far less impressive than the dramatic 108,700 figure posted for April. Nevertheless the continued job growth, even at a modest pace, will continue to fuel a recovery in domestic demand. In particular, Canada's job picture has brightened considerably. Statistics Canada reports that 310,000 of the 417,000 jobs lost to the recession have now been recovered.

Japan sees another change in leadership

Naoto Kan took over as Japan's prime minister, promising to restore faith in the country's government. Kan is Japan's fifth leader since September 2006. In his first speech as prime minister, he stated that "I want to convince the public that real reforms are

entering the stage of concrete implementation.” Concerns over the combined issues of massive government debt, an aging population and rising costs for social welfare will immediately challenge the new leadership. Investors will watch closely for any fundamental shifts that would improve circumstances for the world’s second-largest economy.

Longer View

We expect 2010 will be a volatile year characterized by modest global economic growth and increasing interest rates. Some companies will no doubt fail in this less-than-robust environment while the stronger ones will grow at the expense of their competitors. Having the ability to selectively pick securities, as opposed to owning everything in the markets, will be the key to success, in our opinion. Our long-term view is constructive and optimistic. We believe emerging countries will continue to drive global growth. Rapid economic growth will eventually drive consumption. This will not only benefit businesses in regions throughout the world, we believe, but also the multinational companies that own the desirable brand names.

Playbook - Market Alert! Weekly Summary

June 4:

Statistics Canada reported that employment rose by 25,000 positions in May, the fifth consecutive monthly increase. The unemployment rate was unchanged at 8.1%. Since the start of the upward trend in July 2009, employment has risen by 1.8% or 310,000. These results are modestly stronger than expectations.

The U.S. Bureau of Labor Statistics announced that total non-farm payroll employment grew by 431,000 in May, reflecting the hiring of 411,000 temporary employees to work on Census 2010. Private-sector employment changed little (+41,000). The unemployment rate edged down to 9.7% from 9.9% in the prior month. These figures are somewhat weaker than anticipated.

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