

Weekly Commentary – May 17, 2010

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Economic Calendar

| Date | Release | Period | Consensus | Previous |
|---------------|-------------------------------|--------------------|-----------|----------|
| U.S. | | | | |
| May 18 | Building Permits | Apr 10 | -0.5% | +6.8% |
| May 18 | PPI | Apr 10 | +0.1% | +0.7% |
| May 18 | PPI ex. food & energy | Apr 10 | +0.1% | +0.7% |
| May 18 | Housing Starts | Apr 10 | +3.8% | +1.6% |
| May 19 | CPI | Apr 10 | +0.1% | +0.1% |
| May 19 | CPI ex. food & energy | Apr 10 | +0.1% | 0.0% |
| May 20 | Initial Jobless Claims | Week ending May 15 | 440K | 444K |
| May 20 | Leading Indicators | Apr 10 | +0.2% | +1.4% |
| May 20 | Philadelphia Fed | May 10 | 21.5 | 20.2 |
| Canada | | | | |
| May 18 | Int'l Securities Transactions | Mar 10 | +\$10.00B | +\$6.72B |
| May 19 | Wholesale Sales | Mar 10 | -0.7% | -1.2% |
| May 20 | Leading Indicators | Apr 10 | +0.7% | +1.0% |

Key Earnings:

May 17 – Ambac Financial, Dillard's, Indigo, Lowe's, Sears, The Children's Place

May 18 – Abercrombie & Fitch, American Apparel, Hewlett-Packard, Home Depot, Mitsubishi UFJ, Saks, Ubisoft, TJX Companies, Vodafone, Wal-Mart

May 19 – Air France-KLM, Deere, Hot Topic, Limited Brands, Ralph Lauren, Target

May 20 – Dollar Tree, Dell, GameStop, Intuit, Pacsun, SABMiller, Toro, Staples

May 21 – British Airways, Foot Locker, Gap, Natuzzi

Source: CIBC World Markets, Bloomberg

Market Focus

Canadian housing market stays firm

Canadian housing starts climbed again in April to an annualized 201,700 pace. During the first four months of 2010, housing starts have averaged 199,525 – up 57.0% from the 127,050 average reported for the same period of 2009. In addition, another gain in new housing prices during March pushed the annual growth rate to 1.9%. Interestingly, a looming deadline for the harmonized sales tax in Ontario and British Columbia is expected to put enough of a damper on the market that Statistics Canada warned of future data volatility in its recent release.

International trade strengthens

U.S. exports surged 3.2% in March as the volume of international trade in goods and services reached its highest level since October 2008. The evidence suggests that a return to more normal levels of international trade will continue to provide the basis for renewed global economic growth. Domestically, Canada's exports rose 3.3% from March of 2009, while imports climbed 6.5% over the same period. Traders will remain concerned over the prospects for continued growth in exports for Canada as the currency remains within striking distance of parity with the U.S. dollar.

Japanese economy reveals gains

Japan reported that its coincident index, a composite of 11 indicators including factory production and retail sales, climbed to 101.1 in March, the highest level recorded since 2008. This measure is widely viewed as one of the country's broadest indicators of economic strength and suggests that the Japanese economy sustained its expansion through the first quarter of 2010. Preliminary indications suggest that the first quarter gain in GDP may be the strongest in a decade, based on the strength of exports.

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

May 10:

The Canada Mortgage and Housing Corporation reported there were 201,700 housing starts (seasonally adjusted annual rate) in April. This is a gain of 1.3% from March's upwardly revised 199,200-unit level. These results are better than market consensus.

May 11:

The U.S. Census Bureau announced that wholesale sales were up 2.4% to US\$348.0 billion (seasonally adjusted) in March, compared to February's revised level, and up 15.8% from the March 2009 level. The February estimate was revised upward by \$1.1 billion or 0.3%. During March 2010, inventories rose 0.4% but were 5.3% below the year-ago level. These figures are stronger than expected.

May 12:

Statistics Canada reported that Canada's merchandise exports declined 0.7% in March as a result of falling prices for energy products, while imports grew 2.0% on the strength of precious metals. Export and import volumes increased during the month. Canada's trade surplus with the world narrowed to \$254 million in March from \$1.2 billion in February. The decline in exports was not expected and the trade balance was weaker than anticipated.

Statscan also announced that its New Housing Price Index rose 0.3% in March, following a 0.1% increase in February. The index has been advancing since July 2009. These results are in line with expectations.

The U.S. Census Bureau reported that the international trade gap widened to US\$40.4 billion in March from a slightly revised deficit of \$39.4 billion in February. Imports and exports jumped 3.1% and 3.2% respectively. The trade deficit was smaller than the market consensus.

May 13:

The U.S. Labor Department reported that initial jobless claims fell to 444,000 in the week ended May 8, down 4,000 from a downwardly revised 448,000 the previous week. The number of claims is the lowest since the 442,000 reported in the week ended March 27. The four-week moving average of initial claims was 450,500, down 9,000 from the previous week. These results are largely in line with expectations.

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