

Weekly Commentary – April 26, 2010

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Economic Calendar

Date	Release	Period	Consensus	Previous
U.S.				
Apr 26	Dallas Fed Manufacturing Activity	Apr 10	+9.8%	+7.2%
Apr 27	Case-Shiller Home Price Index	Feb 10	+1.3%	-0.7%
Apr 27	Consumer Confidence	Apr 10	54.0	52.5
Apr 28	FOMC Rate Decision		0.25%	0.25%
Apr 29	Initial Jobless Claims	Week ending Apr 24	440K	456K
Apr 30	GDP	Q1 10	+3.5%	+5.6%
Apr 30	Chicago PMI	Apr 10	60.0	58.8
Apr 30	Michigan Sentiment	Apr 10	71.8	69.5
Canada				
Apr 30	GDP (by industry)	Feb 10	+0.4%	+0.6%
Apr 30	Industrial Product Index	Mar 10	-0.1%	0.0%
Apr 30	Canada Raw Materials Price Index	Mar 10	-0.5%	+0.4%

Key Earnings:

Apr 26 – Ameriprise Financial, BlackRock, Boston Scientific, Canadian National Railway, Canon, Caterpillar, Cemex, Choice Hotels, Garda, Hertz, Humana, RadioShack, Rent-A-Center, Texas Instruments, Whirlpool

Apr 27 – 3M, Boston Properties, Broadcom, Daimler, DaVita, Deutsche Bank, DreamWorks, DuPont, Energizer, Flextronics, Ford, Hospira, Husky Energy, Inmet Mining, Lexmark, Nexen, Norfolk Southern, Office Depot, Sherritt International, Taiwan Semiconductor, Tyco, UPS, Western Union

Apr 28 – Baidu, Barrick Gold, Canadian Pacific, CB Richard Ellis, China Telecom, CNOOC, Comcast, GlaxoSmithKline, Goldcorp, Goodyear, Jean Coutu, JetBlue, Puma, Rogers Communications, SAP, Shoppers Drug Mart, TMX Group, Dow Chemical

Apr 29 – Aetna, Agnico-Eagle, AltaGas, Apache, AstraZeneca, Bristol Myers Squibb, Burger King, Calloway Golf, Colgate-Palmolive, ConocoPhillips, Expedia, ExxonMobil, Fortune Brands, Hugo Boss, Imperial Oil, Maple Leaf Foods, Mullen Group, Potash, Proctor & Gamble, Revlon, Sanofi-Aventis, Siemens, Time Warner, Unilever, Viacom, Waste Management

Apr 30 – Canadian Utilities, Chevron, Domtar, Penske Automotive, Simon Property Group, Skechers, Total

Source: CIBC World Markets, Bloomberg

Market Focus

Bank of Canada tightening draws nearer

The latest interest rate announcement from the Bank of Canada received more than the usual degree of market scrutiny. While traders were anticipating the no-change result for interest rates, the bank's decision to drop its conditional commitment to maintain low rates was greeted with a cent-and-a-half jump in the currency. The bank stated that "with recent improvements in the economic outlook, the need for such extraordinary policy (the conditional commitment) is now passing, and it is appropriate to begin to lessen the degree of monetary stimulus." Clearly, it is now not "if" but "when" in terms of an interest rate hike.

IMF ups forecast for Latin America

In the International Monetary Fund's latest World Economic Outlook, the agency stated that Latin America and the Caribbean are showing a "strong" and "balanced" recovery. Accordingly, the IMF raised its 2010 growth forecasts for the region to 4.0% from earlier expectations of 2.9%. Growth is expected to be led by the region's two largest economies. The growth forecast for Brazil was bumped to 5.5% for 2010 and 4.1% for 2011 from previous targets of 4.7% and 3.7%, respectively. Meanwhile, expectations for Mexico were pushed up to 4.2% for 2010 and 4.5% for 2011 from 4.0% and 4.7%, respectively.

U.S. housing shows sharp gains

The U.S. housing market moved to firmer footing in March with new-home sales soaring 26.9% and existing home sales climbing 6.8%. As well, median prices moved higher as existing homes showed a 0.4% gain from the March 2009 level and new home prices added 4.3% over the same period. Inventories of existing homes slipped lower from 8.5 months of supply to 8.0 months. For new homes, the six-month supply reported for March is the lowest since December 2006. Evidence that foreclosed homes are being absorbed by the market should ease fears that oversupply will curtail future construction.

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

April 19:

Statistics Canada announced that foreign investors added a further \$6.7 billion to their holdings of Canadian securities in February. Meanwhile, Canadian investors acquired \$3.9 billion of foreign debt and equity securities in February, the largest outflow since March 2009. Not surprisingly, the net inflow contributed to continued strength in the Canadian dollar. These results are broadly in line with expectations.

The U.S. Conference Board's Leading Economic Index increased by 1.4% in March, following gains of 0.4% in February, and 0.6% in January. The index has reported gains in 12 consecutive months, the longest stretch since 2004. These results are significantly better than market consensus.

April 20:

The Bank of Canada announced that it is maintaining its target for the overnight rate at 0.25%. The bank rate is unchanged at 0.50% and the deposit rate remains at 0.25%. However, in its press release, the bank removed its conditional commitment to maintain these rates for a defined period. The Canadian dollar has surged on expectations that rates may rise sooner than previously anticipated. The bank's next policy statement is expected on June 1. While the market anticipated no change in interest rates, it was not expecting the removal of the conditional commitment.

April 21:

Statistics Canada reported that wholesale sales fell 1.2% in February, following increases over the previous three months. Lower sales in the motor vehicle and parts, and the machinery, equipment and supplies subsectors were major contributors to the decline. However, on a year-over-year basis, sales are still up by 8.5%. These results are considerably weaker than market consensus.

April 22:

Statistics Canada reported that its index of leading indicators rose 1.0% in March, its tenth straight monthly advance. The areas of growth shifted as orders for new durables led with a 3.2% advance and the S&P/TSX Composite Index added 2.0%. These results are better than expected.

The U.S. Bureau of Labor Statistics reported that the Producer Price Index rose 0.7% (seasonally adjusted) in March. The advance followed a 0.6% decline in February and a 1.4% increase in January. The index advanced 6.0% for the 12 months ended March 2010, its largest year-over-year gain since an 8.8% rise in September 2008. Excluding volatile food and energy components, the monthly increase was a more modest 0.1% while the annual gain was 0.9%. These results are broadly in line with market consensus.

The U.S. Department of Labor reported that initial jobless claims came in at 456,000 (seasonally adjusted) during the week ending April 17, a decrease of 24,000 from the previous week's downward-revised figure of 480,000. The four-week moving average was 460,250, an increase of 2,750 from the previous week's revised average of 457,500. These results are in line with expectations.

Existing home sales in the U.S. rose 6.8% in March to 5.35 million units (seasonally adjusted annual rate) from February's 5.01 million level, the National Association of Realtors reports. Sales are now 16.1% above the 4.61 million-unit level posted in March 2009. Total housing inventory at the end of March rose 1.5% to 3.58 million existing homes available for sale, which represents an 8.0-month supply at the current sales pace, down from an 8.5-month supply in February. These results are stronger than market consensus.

April 23:

Statistics Canada reported that the overall consumer price index fell 0.1% (seasonally adjusted) in March, after remaining unchanged from January to February. March's decline was due primarily to a large decline in recreation, education and reading components. Compared to the same time in 2009, consumer prices are up 1.4% compared to the 1.6% increase reported in February. More importantly to market watchers, the Bank of Canada's core index fell 0.3% (seasonally adjusted) in March, pushing the annual growth rate down to 1.7% in March from 2.1% in February. These results are generally in line with expectations.

Statscan also announced that retail sales increased for a third consecutive month in February, rising 0.5% to \$36.0 billion. Higher sales at new car dealers were the main contributor to the gain. Excluding autos, sales were down 0.1%. On a year-over-year basis, retail sales are 6.4% higher. These figures are below consensus expectations.

The U.S. Census Bureau announced that durable goods orders decreased US\$2.2 billion or 1.3% to \$176.7 billion in March. This decrease followed three consecutive monthly increases. Excluding transportation, new orders increased 2.8% during the month. On a year-to-date basis, total orders are up 11.6% compared to a 3.1% pace at the same time in 2009. These results are below expectations.

The U.S. Census Bureau also reported that new home sales jumped 26.9% in March to 411,000 units (seasonally adjusted annual rate) from February's upwardly revised 324,000 level. Sales are now 23.8% higher than in March 2009. These results are far better than market consensus.

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