

Weekly Commentary – August 30, 2010

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Economic Calendar

Date	Release	Period	Consensus	Previous
U.S.				
August 30	Personal Income	July10	+0.2%	0.0%
August 30	Personal Spending	July 10	+0.3%	0.0%
August 31	CaseShiller Home Price Index	June 10	+3.3%	+4.6%
August 31	Chicago PMI	August 10	57.5	62.3
August 31	Consumer Confidence	August 10	51.3	50.4
September 1	ADP Employment	August 10	-15K	+42K
September 1	Construction Spending	July 10	-0.4%	+0.1%
September 1	ISM Index	August 10	53.3	55.5
September 2	Productivity	Q2'10	-1.5%	-0.9%
September 2	Unit Labor Costs	Q2'10	+1.0%	+0.2%
September 2	Factory Orders	July 10	+0.5%	-1.2%
September 2	Pending Home Sales	July10	+1.7%	-2.6%
September 3	Nonfarm Payrolls	August 10	-120K	-131K
September 3	Unemployment Rate	August 10	9.6%	9.5%
September 3	ISM Services	August 10	53.0	54.3
Canada				
August 30	Industrial Product Price	July 10	+0.5%	-0.9%
August 30	Raw Material Price Index	July 10	+1.0%	-0.3%
August 31	GDP (monthly)	June 10	+0.2%	+0.1%
August 31	GDP (quarterly annualized)	Q2'10	+3.2%	+6.1%

Key Earnings:

August 30 – AgFeed, Agria, Wi-Lan, Winn Dixie Stores, Inc.

August 31 – Bank of Nova Scotia, Carrefour, Dollar General Corporation, Reitmans (Canada) Limited, UEX Corp

September 1 – H.J. Heinz Company, Joy Global Inc., Vivendi

September 2 – Del Monte, H&R Block, Laurentian Bank, Krispy Kreme, Movado, TD Bank

September 3 – Campbell Soup Company

Source: CIBC World Markets, Bloomberg

Market Focus

Yen climbs to 15-year high

Amid ongoing worries over the state of Japan's economic recovery, the yen continued to advance against the U.S. dollar in international markets. Japanese finance minister, Yoshihiko Noda, told reporters at a recent press conference in Tokyo that "disorderly" moves in the yen could harm the nation's economic stability. However, Noda made no indication that there would be any intervention by the Bank of Japan to stem the currency's rise. The U.S. dollar slipped to ¥84.15 in heavy action, even as Japanese exporters decried the additional pressures that sustained currency strength would bring.

Canadian retail spending moderates

Despite a solid advance in auto sales, Canadian consumers found themselves in neutral during June. While overall retail sales edged 0.1% higher, Statistics Canada reported that new car sales climbed 2.0% during the month and used cars surged 4.5%. Electronics and appliance sales soared 5.1% and furniture stores reported a 2.3% jump. Nevertheless, this focused strength in large ticket items was attributed to the pending introduction of the harmonized sales tax in some provinces and was virtually offset by declines in other sectors. Regardless of the solid recovery in Canada's employment picture, consumers remain cautious and the one time pre-tax surge will likely be reversed in the July data.

U.S. housing market falters

The latest data from the U.S. Census Bureau revealed that new home sales plunged 12.4% in July to an annual pace of 276,000, the weakest since data began in 1963. Similarly, existing home sales tumbled 22.7% during the month to an annual rate of 3.83 million units. This is its lowest level since the total existing-home sales series was launched in 1999. Even though the combination of low mortgage rates and favorable pricing has boosted affordability, the elimination of tax incentives for home buyers has significantly reduced demand. Analysts suggest that material gains in housing activity will require a sustainable rebound in the U.S. employment situation.

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. Emerging countries will continue to drive global growth. Rapid economic growth will eventually drive consumption. We believe this will not only benefit businesses in regions throughout the world, but also the multinational companies that own the desirable brand names.

Playbook - Market Alert! Weekly Summary

August 24:

Statistics Canada reported that retail sales edged up 0.1% in June to \$35.9 billion. Excluding autos, sales actually dropped 0.5%. On a year-over-year basis, overall retail sales are up 3.8%. Excluding autos they are up a more modest 3.2%. These results are weaker than market consensus.

According to the National Association of Realtors, existing-home sales were sharply lower in July following expiration of the home buyer tax credit. Sales dropped 27.2% to a seasonally adjusted annual rate of 3.83 million units in July from a downwardly revised 5.26 million unit pace in June. Sales are now 25.5% below the 5.14 million-unit level in July 2009. These results are considerably weaker than expected.

August 26:

Statistics Canada reported that average weekly earnings of non-farm payroll employees rose by 0.7% in June. The advance was sufficient to push the annual growth rate to 4.0%. This is the fastest year-over-year increase since February 2008. These figures are stronger than anticipated.

The U.S. Department of Labor announced that initial jobless claims had fallen by 31,000 from the previous week's upwardly revised figure of 504,000. This is the second biggest decline of the year. At the same time, the four-week moving average came in at 486,750, an increase of 3,250 from the previous week's revised average of 483,500. These results are stronger than expected.

August 27:

The U.S. Bureau of Economic Analysis announced that GDP grew at a revised 1.6% (annualized) pace during the second quarter of 2010. Original estimates had shown a 2.4% rate. The overall adjustment reflected an upward revision to imports and downward revisions to private inventory investment and to exports. These changes were partly offset by an upward revision to personal consumption expenditures. These results are somewhat stronger than market consensus.

The Reuters/University of Michigan announced that its Consumer Sentiment Index reached the 68.9 level in August, down from the mid-month reading of 69.6. However, this is still a 1.6% gain from the 67.8 reading in July and a 4.9% advance from the 65.7 level reported in August 2009. The Current Conditions sub-index improved by 1.0% during the month while the Expectations sub-index climbed 2.4%. These results are weaker than anticipated.

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