

## Weekly Commentary – March 15, 2010

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### Economic Calendar

Date	Release	Period	Consensus	Previous
<b>U.S.</b>				
Mar 15	Industrial Production	Feb 10	+0.1%	+0.9%
Mar 15	Capacity Utilization	Feb 10	72.6%	72.6%
Mar 15	NAHB Housing Market Index	Mar 10	17	17
Mar 16	Import Price Index	Feb 10	-0.2%	+1.4%
Mar 16	Housing Starts	Feb 10	570K	591K
Mar 16	Building Permits	Feb 10	610K	621K
Mar 16	FOMC Rate Decision	Mar 16	0.25%	0.25%
Mar 17	Producer Price Index	Feb 10	-0.2%	+1.4%
Mar 17	PPI ex. food and energy	Feb 10	+0.1%	+0.3%
Mar 18	Consumer Price Index	Feb 10	+0.1%	+0.2%
Mar 18	CPI ex. food & energy	Feb 10	+0.1%	-0.1%
Mar 18	Current Account Balance	Q4 09	-\$119.8B	-\$108.0B
Mar 18	Philadelphia Fed	Mar 10	17.0	17.6
<b>Canada</b>				
Mar 15	New Motor Vehicle Sales	Jan 10	0.0%	+2.6%
Mar 16	Manufacturing Sales	Jan 10	n/a	+1.6%
Mar 18	Int'l Securities Transactions	Jan 10	n/a	\$11.23B
Mar 19	Consumer Price Index	Feb 10	+0.3%	+0.3%
Mar 19	CPI ex. food & energy	Feb 10	+0.3%	+0.1%
Mar 19	Retail Sales	Jan 10	+0.5%	+0.4%

### Key Earnings:

Mar 8 – 3Com, China Mobile, Nortel, Williams-Sonoma, Wyeth  
 Mar 9 – Ambac Financial, Deutsche Bank, Factset, Ivanhoe Energy, Sino Forest  
 Mar 10 – BMW, Enel, Guess, Herman Miller, Nike  
 Mar 11 – Charles River, Cintas, FedEx, National Bank of Greece, Palm  
 Mar 12 – Allianz, Perry Ellis

Source: CIBC World Markets, Bloomberg

### Market Focus

#### Loonie takes flight

The latest employment figures from Statistics Canada revealed a gain of 20,900 new jobs in February and a 0.1% drop in the unemployment rate. Of the 415,000 jobs lost in Canada during the recession, 159,000 have now been recovered. This compares favourably to the U.S. situation where 8,425,000 jobs have been lost without any material recovery to date. This difference has been held out by market players as one of the reasons that the Canadian dollar has now traded back through the US\$0.98 level for the first time since July 28, 2008. The Bank of Canada will have to continue to take into account the strength of the loonie as it contemplates any changes to monetary policy.

#### U.S. consumers increase their spending

Despite the heavy winter storms seen in some regions, U.S. consumers remained active during February. Retail sales figures provided by the U.S. Census Bureau revealed a surprising 0.3% one-month advance and a 3.9% gain compared to the same period in 2009. The monthly increase was led by a 3.7% jump in electronics and appliance store sales. Widespread strengthening in

consumer demand was evident as only two of the 13 major retailing sub-groups – motor vehicles and parts and health and personal care – reported a monthly decline. Traders will continue to look for evidence that a sustainable economic recovery is underway.

### **Brazilian economy surges ahead**

Fresh data from Brazil revealed 2.0% GDP growth during the fourth quarter of 2009, the fastest pace in two years. At the same time, the Brazilian Census Bureau also revised GDP figures from past quarters, showing that the country's emergence from the recession was stronger than previously believed. Third-quarter GDP growth was revised upward to 1.7% from 1.3%, while the second-quarter advance was revised to 1.4% from 1.1%. In line with the latest figures, the Banco Central do Brazil has forecast an economic expansion of 5.8% for 2010 as a whole. Recent developments in South America's largest economy reinforce the notion that developing nations will continue to lead global growth.

### **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**

#### **March 8:**

According to the Canada Mortgage and Housing Corporation, housing starts rose to 196,700 units in February (seasonally adjusted annual rate), a 6.1% gain from the 185,400 units reported in January. These results are much stronger than expected.

#### **March 10:**

The U.S. Census Bureau announced that wholesale sales climbed 1.3% to US\$346.7 billion in January from the December level and were up 10.5% compared to January 2009. The December figure was revised upward by \$1.3 billion or 0.4%. These results are well ahead of expectations.

#### **March 11:**

Statistics Canada reported that Canada's merchandise exports grew 0.5% in January, while imports declined 1.7%. As a result, Canada posted a trade surplus with the world of \$799 million in January compared with a surplus of \$75 million in December. This is the largest trade surplus in 10 months and is well ahead of market consensus.

Statscan also announced that Canadian industries operated at 70.9% of their production capacity in the fourth quarter of 2009, up from 68.7% in the third quarter and the cyclical low of 68.5% in the second quarter. Of the 21 major manufacturing industries, 13 posted higher capacity use in the fourth quarter. These figures are better than expected.

Statscan further reported that its New Housing Price Index rose 0.4% in January. Year over year, the New Housing Price Index was up 0.1% in January, compared with a 0.9% decline in December 2009. This was the first year-over-year increase since December 2008. Quebec City led with a 6.2% annual growth figure while Victoria (-7.3%) reported the largest annual decline. These results are in line with expectations.

According to the U.S. Department of Labor, initial jobless claims totalled 462,000 in the week ending March 6, a decrease of 6,000 from the previous week's revised figure of 468,000. The four-week moving average came in at 475,500, an increase of 5,000 from the previous week's revised average of 470,500. These numbers are in line with expectations.

The U.S. Commerce Department reported that the trade deficit narrowed by 6.6% in January to US\$37.29 billion. Both imports and exports fell in January but imports fell at a faster pace. The U.S. trade deficit with China narrowed to \$18.30 billion compared with \$20.57 billion in the same month last year. The government also revised the deficit figure for December to \$39.9 billion from \$40.2 billion. The deficit is less than anticipated.

**March 12:**

Statistics Canada reported that employment rose by 21,000 positions in February, with large gains in full-time work only partially offset by losses in part-time jobs. The unemployment rate edged down 0.1% to 8.2% in February. These figures are better than expected

The U.S. Census Bureau announced that U.S. retail sales for February totalled US\$355.5 billion (seasonally adjusted), an increase of 0.3% from January's level and a 3.9% gain from the figure reported for February 2009. These results were much better than expected.

The U.S. Census Bureau announced that business inventories were estimated at US\$1.3 trillion (seasonally adjusted), virtually unchanged from December 2009 but down 8.6% from January 2009. In addition, the 0.6% increase in sales during the month pushed the inventories/sales ratio down to 1.25. This is now the lowest level since December 2007 and is well below the January 2009 ratio of 1.46. These figures are stronger than expected.

The Reuters/University of Michigan Consumer Sentiment Index slipped from 73.6 in February to 72.5 in March, according to the preliminary reading. At the same time, the current economic conditions sub-index fell from 81.8 to 80.8. This was the first downward move in the sub-index since November. Similarly, the economic outlook sub-index fell for the second consecutive month, dropping from 68.4 in February to 67.2 in March. These results are weaker than expected.

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