

## Monthly Market Snapshot

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- It was a tumultuous month for equity markets as a weak global recovery continues to pose major concerns for investors. Most indices were swinging between major gains or major losses over a very short period of time and the vast majority ended the month on a negative note. The S&P 500 dropped 5.4 percentage points, the TSX Composite fell by 1.2 percent, the MSCI World and MSCI Emerging Markets indices were down by 6.7 and 7.3 percent, respectively. Contributing factors for such dismal results have been highlighted in detail below; however, investors can expect volatility to be the norm as disappointing growth in the U.S. and the European sovereign-debt crisis are two gaping holes that need to be filled before global recovery can take place.
- Canada's economy shrank for the first time in two years as a high dollar boosted imports and curbed exports. GDP fell at a 0.4 percent annualized rate compared to a 3.6 percent gain at the end of the first quarter. From an optimist's perspective, third-quarter earnings reported by the top Canadian banks were highly positive as the Bank of Nova Scotia and Bank of Montreal posted profit increases of 22 percent and 19 percent respectively, while CIBC reported net income that was higher by an even more impressive 26 percent. In other news, Sino-Forest made headlines once again last month after the OSC halted trading in the stock and suggested that the company may have exaggerated its revenue and timber holdings.
- S&P cut the U.S.'s AAA credit rating by one level to AA+ last month as it believed that even an increase in the nation's debt ceiling does little to pacify the threat of a default. The rating agency did, however, maintain US's short-term rating at the top level. Weeks after the downgrade, S&P President Deven Sharma resigned and has been replaced by Citi Group COO, Douglas Peterson, who is scheduled to take-over later this month. Moody's Investor Services and Fitch Rating Agency reaffirmed the AAA rating for the U.S., however, they did not fail to point out that a downgrade was still possible. Adding to investor concerns, economic data came in below expectations as U.S. GDP grew by 1 percent in the second quarter, while the median estimate by economists included in a Bloomberg survey was 1.1 percent. Moreover, the unemployment rate was stagnant at 9.1 percent, and this was the first time since 1945 that the job growth had not deflected from its current level on a monthly basis. The Federal Reserve did not announce plans for any new stimulus measures designed to boost the economy, however Ben Bernanke did say that the target rate will remain at 0 to 0.25 percent until mid-2013
- The sovereign-debt crisis in the Euro-zone continues to plague investors despite the European Central Bank's attempts to salvage the situation. The bank elected to keep interest rates at 1.5%, and pumped 22 billion euros worth of government bonds, which helped push 10-year Spanish and Italian yields below 5 percent after they surged to record highs above the 6 percent mark earlier this month. Italy is also struggling to cope with crisis and enforced a second round of austerity measures; however, this policy could backfire as further spending cuts and tax increases may choke the economic growth necessary to ease investor concerns. The effects of the crisis steam-rolled over German investor confidence as the index measuring this metric dropped to negative 37.6 in August, which is 22.5 points lower than July's statistic.
- Significant deals were carried out in the M&A world last month starting with Google's acquisition of Motorola Mobility Holdings Inc. for US\$12.5 billion. Motorola shareholders will receive US\$40 per share in cash, a premium of 63 percent versus the company's closing price on August 12. Google's Executive Chairman, Eric Schmidt announced the motivation behind the acquisition was to acquire products, in an attempt to make Google more competitive in the Smartphone industry, however, through this deal, the company now has 17,000 patents at its disposal to protect its Android operating system. A second acquisition last month was by Toronto-Dominion bank who bought Bank of America's credit card business and paid US\$7.5 billion in cash and assumed US\$1.1 billion in liabilities. As a result of this deal, TD now holds US\$8.5 billion in outstanding balances out of the 1.8 million active credit card accounts.
- Gold took the spotlight amongst commodities in August as prices for the precious metal surged to record high of US\$1897 per ounce. The yellow metal was 12.3 percent during the month. Oil, Natural Gas and Copper fell by 7.2 percent, 2.2 percent and 6.4 percent respectively as concerns over faltering economic growth persist.
- Going forward, DundeeWealth economists believe that the Canadian dollar still faces some downside risk and could potentially fall below par. Amongst the commodities, economists have indicated that oil needs to be trading near the US\$70 mark and stay there for several months in order to boost consumer confidence.

# Monthly Market Statistics: August 2011

## Total Return Index Returns (Annualized After One Year)

	Local							C\$						
	1M	3M	6M	YTD	1YR	3YR	5YR	1M	3M	6M	YTD	1YR	3YR	5YR
TSX Composite	-1.2%	-6.9%	-8.5%	-3.5%	9.9%	0.4%	4.0%	-1.2%	-6.9%	-8.5%	-3.5%	9.9%	0.4%	4.0%
S&P 500	-5.4%	-8.9%	-7.2%	-1.8%	18.5%	0.5%	0.8%	-3.4%	-8.1%	-6.9%	-3.5%	8.5%	-2.3%	-1.7%
MSCIEAFE	-8.7%	-12.9%	-14.8%	-11.4%	-15%	-5.7%	-4.5%	-7.0%	-10.8%	-10.5%	-7.3%	12%	-5.2%	-3.4%
MSCI World	-6.7%	-10.6%	-10.7%	-6.3%	8.7%	-2.4%	-15%	-5.0%	-9.3%	-8.6%	-5.2%	5.4%	-3.5%	-2.1%
MSCI Pacific	-7.1%	-8.8%	-15.0%	-11.7%	-10%	-9.4%	-8.0%	-5.1%	-4.2%	-9.5%	-8.7%	14%	-2.6%	-3.2%
MSCI Emerging	-7.3%	-9.8%	-6.6%	-9.9%	2.7%	4.7%	7.2%	-6.9%	-9.8%	-4.5%	-9.9%	0.2%	2.4%	6.0%
TSX Small Cap	-3.5%	-8.7%	-9.9%	-7.2%	16.2%	6.2%	2.7%	-3.5%	-8.7%	-9.9%	-7.2%	16.2%	6.2%	2.7%
Global Small Cap	-8.0%	-12.8%	-11.1%	-7.3%	15.4%	2.5%	0.4%	-6.2%	-11.5%	-9.3%	-6.8%	10.9%	1.3%	0.0%
Bonds - CDN	1.2%	3.3%	5.7%	5.5%	5.4%	6.8%	5.9%	1.2%	3.3%	5.7%	5.5%	5.4%	6.8%	5.9%
Bonds - 1-5 yr	0.7%	1.9%	3.4%	3.5%	3.3%	5.1%	5.1%	0.7%	1.9%	3.4%	3.5%	3.3%	5.1%	5.1%

## Total Return Index Returns by Calendar Year

	Local					C\$					Recent Data			
	YTD	2010	2009	2008	2007	YTD	2010	2009	2008	2007	2006	Current	High*	Low*
TSX Composite	-3.5%	17.6%	35.1%	-33.0%	9.8%	-3.5%	17.6%	35.1%	-33.0%	9.8%	17.3%	35196.2	38971.4	32119.7
S&P 500	-1.8%	15.1%	26.5%	-37.0%	5.5%	-3.5%	8.3%	9.7%	-22.6%	-10.3%	16.1%	2076.8	2305.8	1824.0
MSCIEAFE	-11.4%	5.3%	25.4%	-39.9%	4.0%	-7.3%	19%	14.9%	-30.1%	-5.1%	27.2%	2238.1	2670.2	2113.5
MSCI World	-6.3%	10.6%	26.5%	-38.3%	5.2%	-5.2%	5.8%	13.5%	-26.7%	-6.8%	21.0%	2820.0	3200.7	2628.6
MSCI Pacific	-11.7%	2.2%	19.8%	-42.2%	-1.4%	-8.7%	9.3%	7.9%	-21.6%	-10.2%	12.8%	1201.9	1445.1	1152.4
MSCI Emerging	-9.9%	14.4%	62.8%	-45.7%	33.5%	-9.9%	12.2%	55.3%	-42.5%	18.9%	32.9%	78105.9	88906.3	73469.0
TSX Small Cap	-7.2%	35.1%	62.4%	-45.5%	0.9%	-7.2%	35.1%	62.4%	-45.5%	0.9%	11.6%	907.1	1044.4	790.8
Global Small Cap	-7.3%	24.4%	40.8%	-40.4%	-3.8%	-6.8%	19.2%	25.6%	-28.3%	-14.0%	17.9%	194.3	225.6	175.3
Bonds - CDN	5.5%	3.7%	4.1%	6.5%	7.1%	5.5%	3.7%	4.1%	6.5%	7.1%	6.7%	830.2	842.3	776.0
Bonds - 1-5 yr	3.5%	4.1%	4.0%	2.4%	5.1%	3.5%	4.1%	4.0%	2.4%	5.1%	5.1%	6211	626.0	597.6

\*High and Low values based on prior 52 weeks of historical data

## Canadian Average Cash Yields

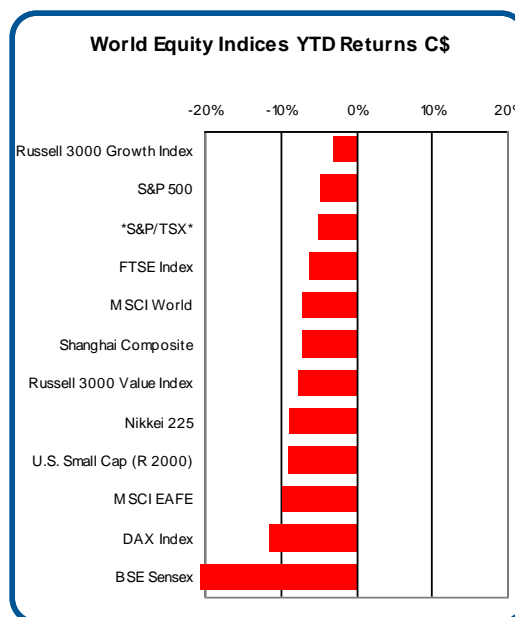
	Actual	1M	3M	6M	1YR	3YR	5YR
1M T-Bill	0.94%	0.92%	0.92%	0.91%	0.90%	0.61%	1.80%
3M T-Bill	0.93%	0.92%	0.92%	0.94%	0.94%	0.69%	1.86%
1YR T-Bill	0.97%	1.09%	1.14%	1.23%	1.27%	1.03%	2.14%

## Currencies

	Actual	1M	3M	6M	1YR	3YR	5YR
C\$/US\$	\$ 1.02	-2.30%	-0.93%	-0.63%	8.99%	8.81%	12.88%
US\$ Trade wt.	\$ 74.12	0.30%	-0.70%	-3.61%	-10.92%	-4.22%	-12.85%
Euro/C\$	\$ 1.40	2.15%	0.76%	4.73%	3.98%	-10.01%	-0.65%
Yen/C\$	\$ 128	2.50%	7.36%	7.36%	0.79%	30.47%	35.70%

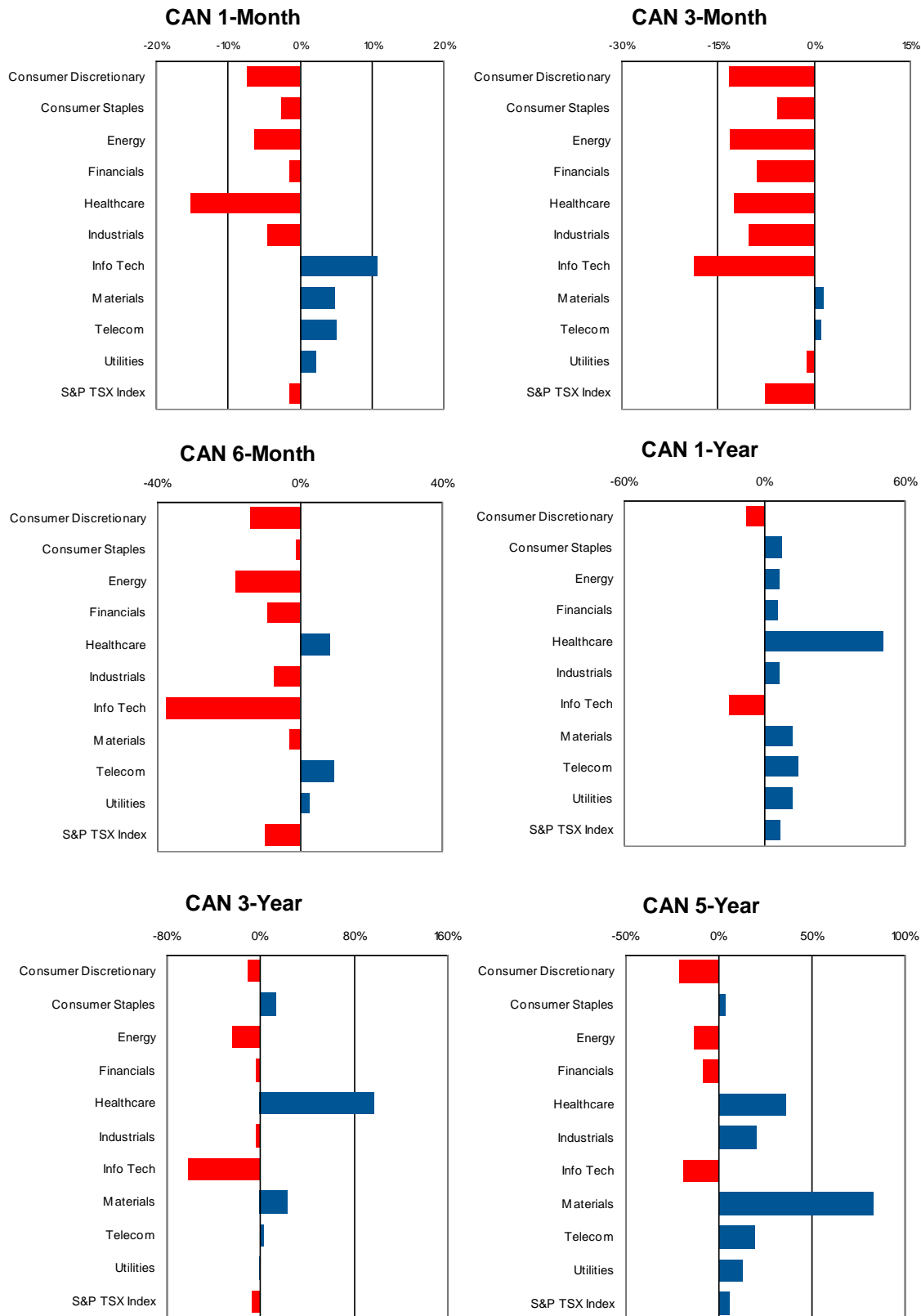
## Commodities

	Actual	1M	3M	6M	1YR	3YR	5YR
Oil	\$88.81	-7.2%	-13.5%	-8.4%	23.5%	-23.1%	26.4%
Nat Gas	\$ 4.05	-2.2%	-13.1%	0.4%	6.2%	-49.0%	-33.0%
Gold	\$ 1829.2	12.3%	19.2%	29.7%	46.5%	100.2%	188.4%
Copper	\$ 418.7	-6.4%	0.3%	-6.5%	24.6%	22.1%	20.7%



Source: Bloomberg, iShares.ca

## Canadian GIC Sector Performance (C\$)

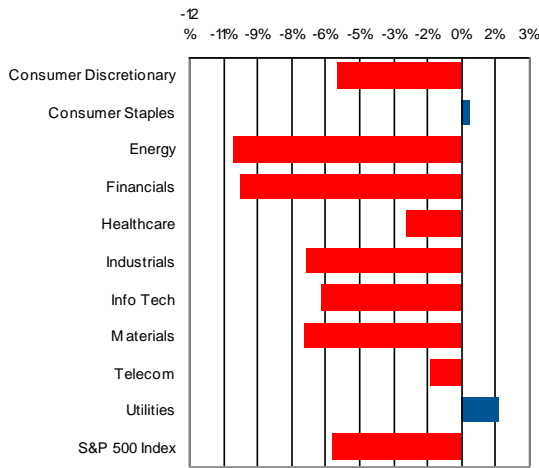


Source: Bloomberg

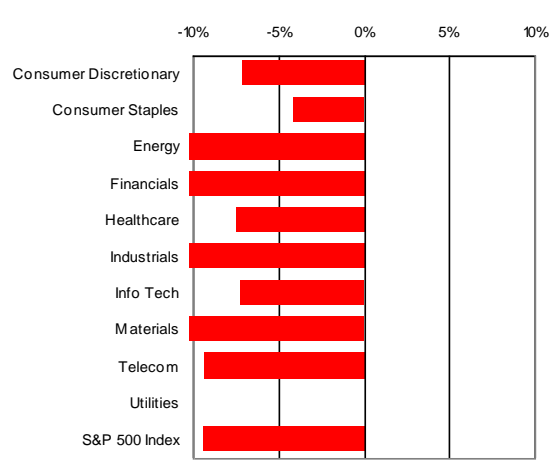


# US GIC Sector Performance (US\$)

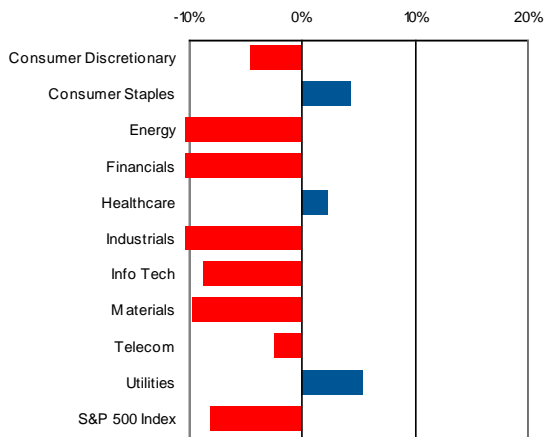
**US 1-Month**



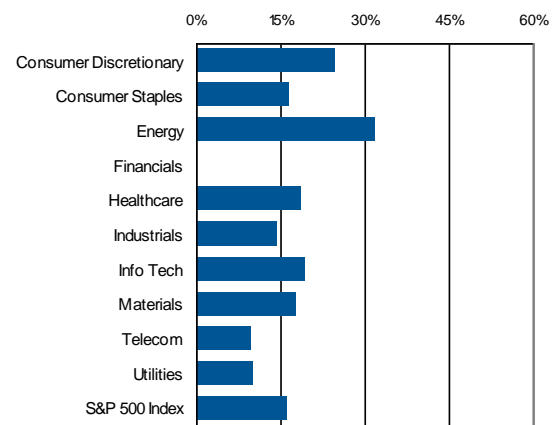
**US 3-Month**



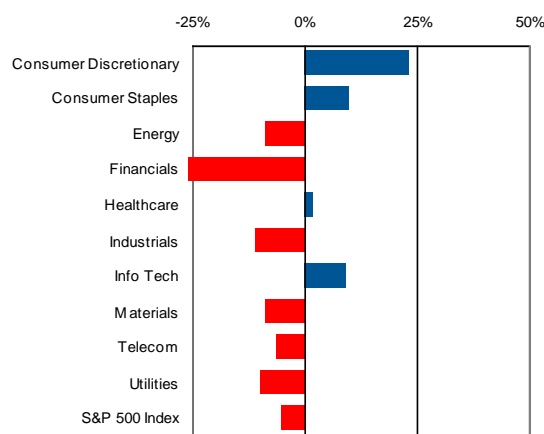
**US 6-Month**



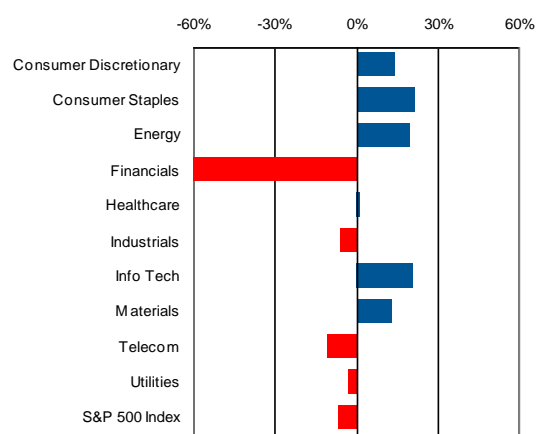
**US 1-Year**



**US 3-Year**



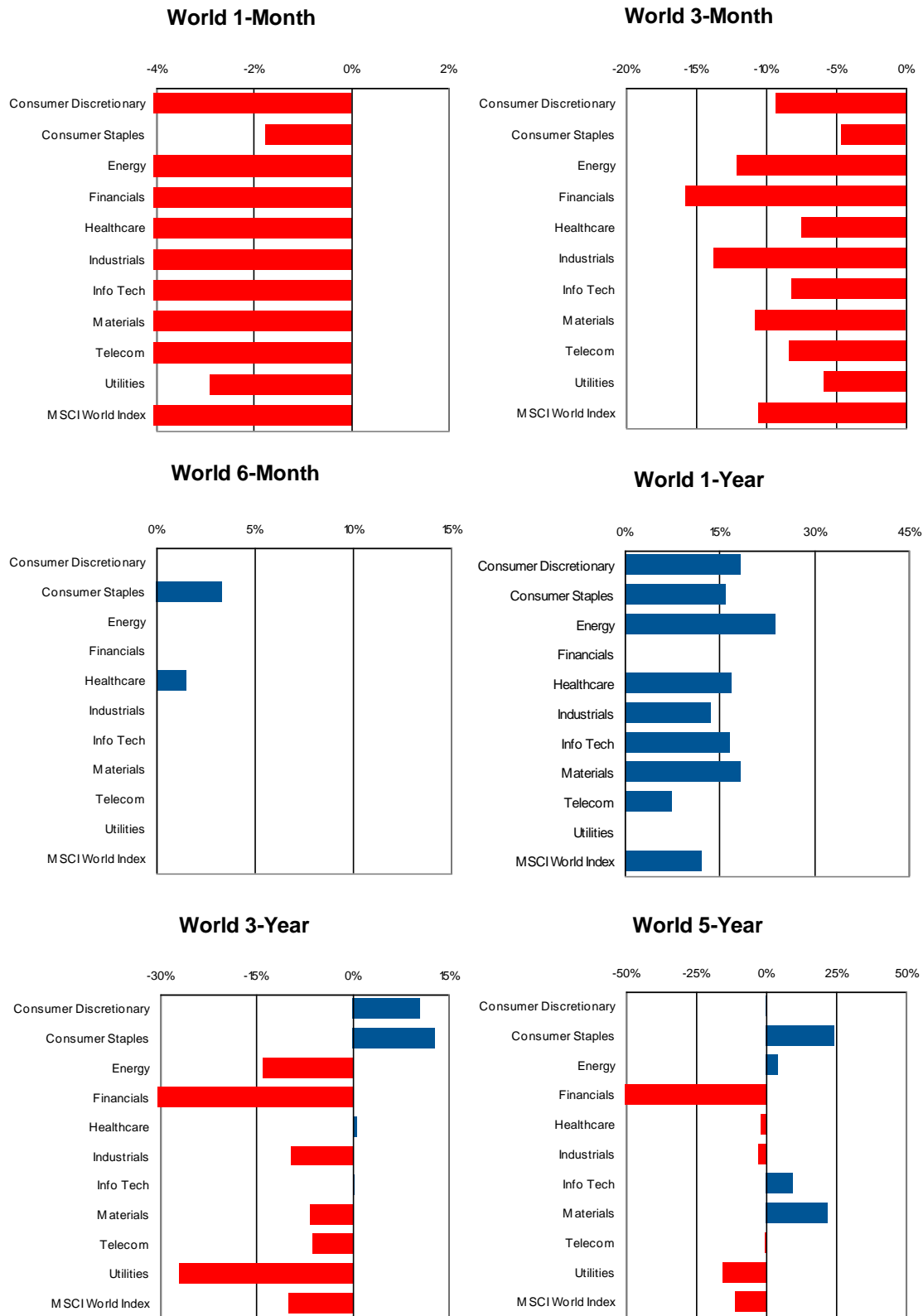
**US 5-Year**



Source: Bloomberg



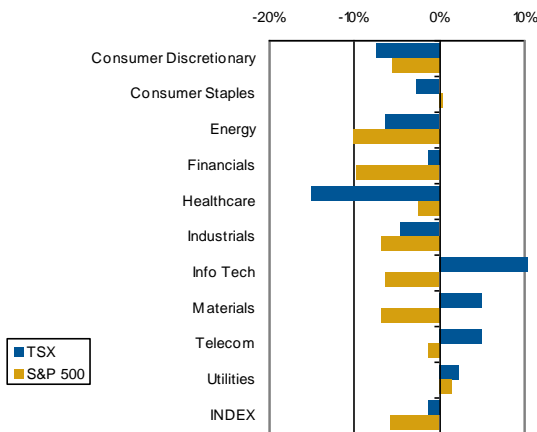
## World GIC Sector Performance (US\$)



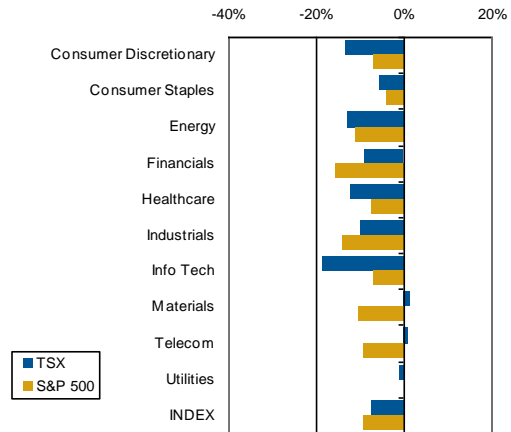
Source: Bloomberg

# Sectoral Performance TSX vs S&P 500

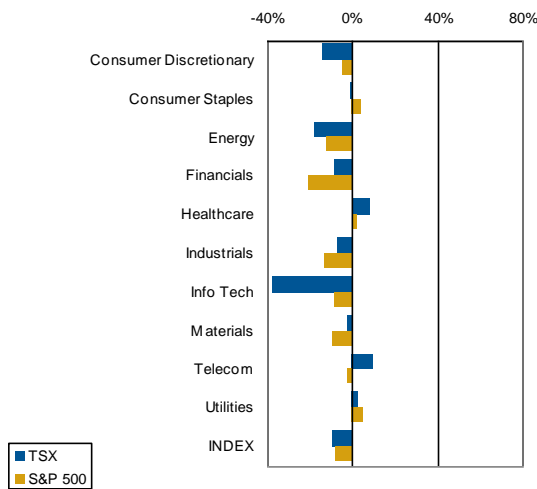
**TSX vs S&P 500 1-Month**



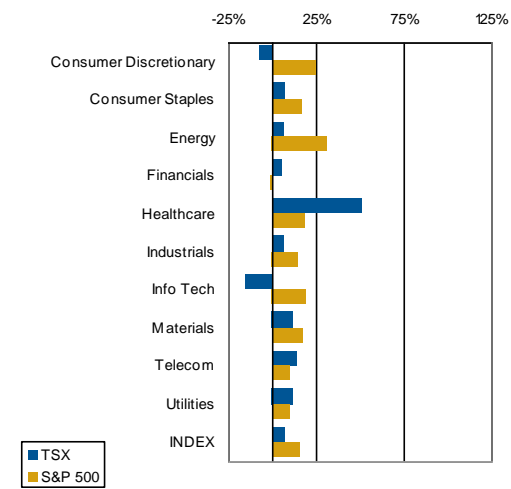
**TSX vs S&P 500 3-Month**



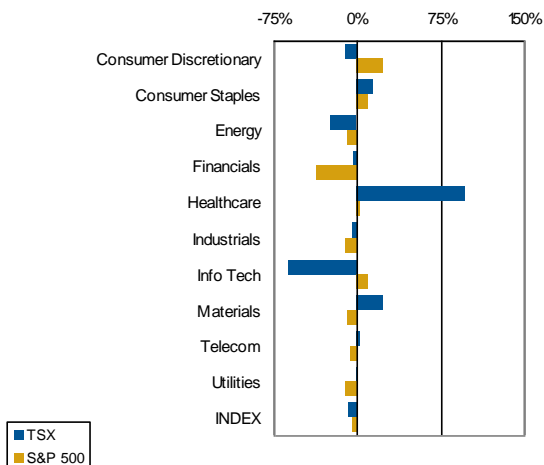
**TSX vs S&P 500 6-Month**



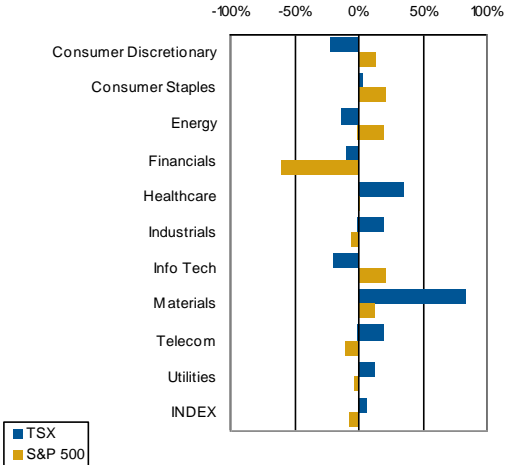
**TSX vs S&P 500 1-Year**



**TSX vs S&P 500 3-Year**



**TSX vs S&P 500 5-Year**



Source: Bloomberg



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