



Monthly Market Monitor (M³)

January 2012

February 1st, 2012

Great Start to 2012

January 2012 was one of the best starts to a calendar year in quite some time. And the strong debut to the year wasn't just evident domestically – global equities enjoyed a very strong month, too. Most commodities rallied and bonds also did well. It was simply a hard month in which to lose money. While there were still some headwinds, including the credit downgrade of a handful of European nations, a soft start to earnings season and an unimpressive U.S. GDP report, the markets seemed to easily absorb the news and still move higher. Hints of another round of quantitative easing from the U.S. Federal Reserve, along with signs of progress in European debt negotiations, had the bulls firmly in charge.

The S&P/TSX Composite advanced 4.2% on the month, just a bit behind the S&P 500's 4.4% rise. In the U.S., it was the technology-heavy NASDAQ that experienced the most buoyancy, appreciating 8.0% on the month. Record profits at clearly Apple helped, as did the 86% positive earnings surprise rate for technology companies so far this earnings season. Venturing outside of North America, the news continues to be positive. Europe regained some of the lost ground of 2011, as the Euro Stoxx 50 gained 4.3% in January after dropping more than 17% last year. Asian stocks did well too. But the bigger star was emerging markets. The MSCI Emerging Markets Index rose 11.2% compared to only 4.9% for the MSCI World Index. Russia, Brazil and India were the big gainers, each up over 10%.

Sector Watch

In Canada, it was clearly a 'risk on' month. Cyclical sectors including Materials (+10.3%), Energy (+3.5%), Industrials (+2.6%), Consumer Discretionary (+3.3%) and Information Technology (+6.4%) were the leading sectors. Meanwhile the defensives such as Consumer Staples (-0.2%), Telecommunication Services (-2.5%) and Utilities (-1.2%) were the laggards. The trend was very similar in the U.S.

Commodities, Currencies and Bonds

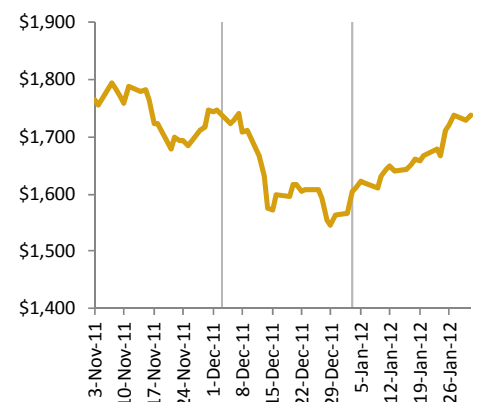
Most commodities performed very well during January. Precious metals jumped after the Federal Reserve indicated it wouldn't be raising rates for a very long time; gold was up 11% to \$1,740/oz and silver rose 19% to \$33.26/oz. Industrial metals did well, too, as economic data appeared to be supportive and the U.S. dollar declined somewhat. Aluminum, copper and nickel prices rose about 10%. Oil prices were roughly flat as the prospect of an embargo on Iran appeared to be delayed for a number of months. But natural gas was clobbered again, dropping 17% to \$2.50/MMBtu. Slow growth in demand and too much supply is not a good combination.

Given strong commodity and stock markets, one would think bonds wouldn't have done well, but they managed to squeak out some gains too.

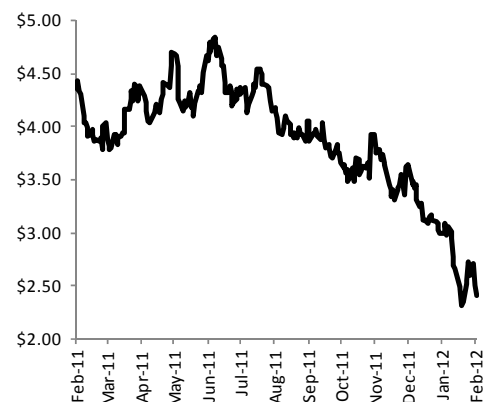
Wow # of the Month:

Almost all major indices rise to begin 2012

Gold Rebounds in January



Natural Gas Long Demise

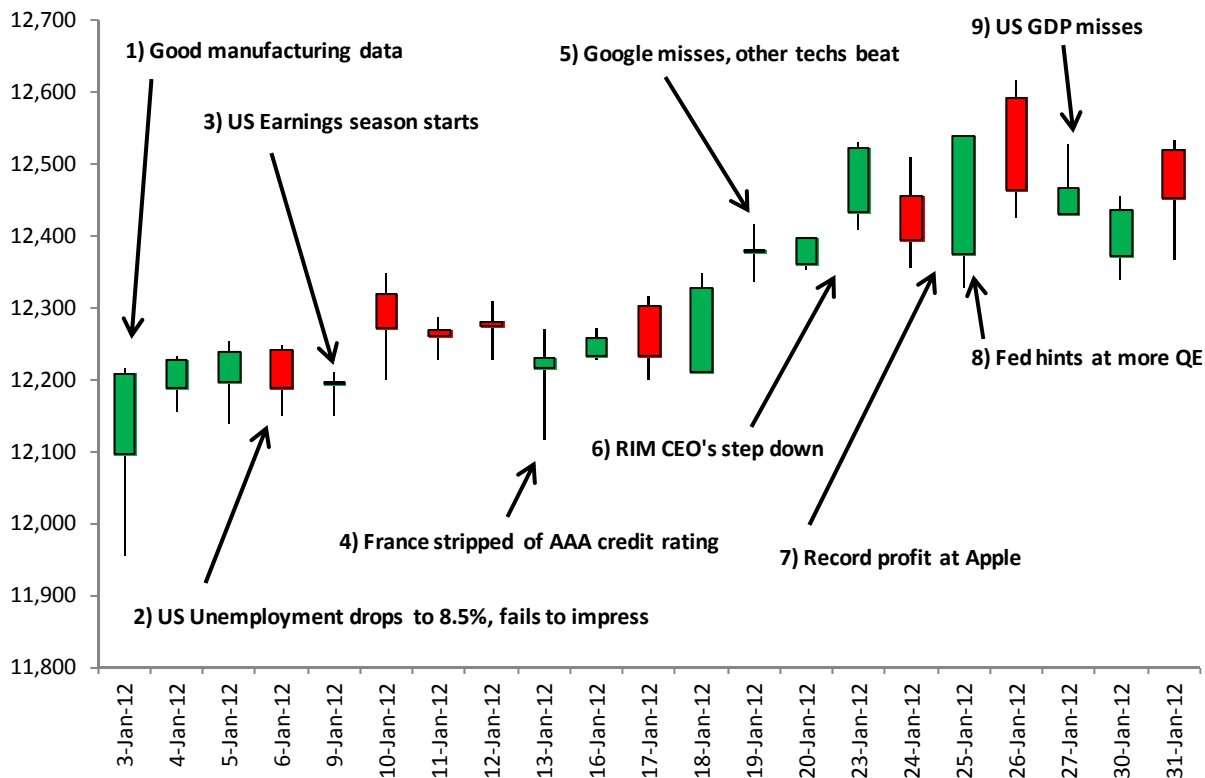


Source: Macquarie Private Wealth

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Big News & the TSX Composite



- 1) Good global manufacturing data
- 2) U.S. unemployment drop to 8.5%, fails to impress markets
- 3) U.S. earnings season starts
- 4) France stripped of AAA credit rating, other Euro nations downgraded as well
- 5) Google misses, other techs beat including Microsoft, IBM and Intel
- 6) RIM CEO's step down
- 7) Record profit at Apple
- 8) Fed hints at more QE
- 9) U.S. GDP misses estimates



Big Table of Numbers

Americas	Level	1mo	3mo	6mo	12mo	YTD	TSX Sector Performance	1mo	3mo	6mo	12mo	YTD
S&P/TSX Composite	12,452	4.2	1.6	-3.8	-8.1	4.2	Materials	10.3	-0.5	-5.6	-8.8	10.3
S&P/TSX Comp Total Return	34,759	4.4	2.4	-2.4	-5.6	4.4	Energy	3.5	3.2	-6.0	-13.2	3.5
S&P 500	1,312	4.4	4.7	1.6	2.0	4.4	Industrials	2.6	4.8	2.1	1.2	2.6
S&P 500 Total Return	2,256	4.5	5.3	2.7	4.2	4.5	Consumer Disc	3.3	0.8	-7.1	-17.2	3.3
Dow Jones Ind Avg	12,633	3.4	5.7	4.0	6.2	3.4	Consumer Staples	-0.2	0.8	0.9	5.2	-0.2
NASDAQ Comp	2,814	8.0	4.8	2.1	4.2	8.0	Health Care	4.1	24.5	-4.3	27.5	4.1
Mexico Bolsa	37,423	0.9	3.5	4.0	1.2	0.9	Financials	2.6	1.0	-2.6	-4.8	2.6
							Info Tech	6.4	-10.7	-20.0	-50.9	6.4
							Telecom Svs	-2.5	4.2	8.5	11.5	-2.5
							Utilities	-1.2	-1.2	1.2	-0.4	-1.2
Europe							S&P 500 Sector Performance					
Euro Stoxx 50	2,417	4.3	1.3	-9.5	-18.2	4.3	Materials (US)	11.1	8.3	-1.0	-1.7	11.1
England (FTSE)	5,682	2.0	2.5	-2.3	-3.1	2.0	Energy (US)	1.5	2.1	-6.1	-2.8	1.5
France (Cac 40)	3,299	4.4	1.7	-10.2	-17.6	4.4	Industrials (US)	6.9	8.6	4.4	-0.4	6.9
Germany (DAX)	6,459	9.5	5.2	-9.8	-8.7	9.5	Consumer Disc (US)	5.9	6.0	4.3	11.3	5.9
Spain (IBEX)	8,509	-0.7	-5.0	-11.6	-21.3	-0.7	Consumer Staples (US)	-1.7	3.1	3.9	10.6	-1.7
							Health Care (US)	3.0	6.6	4.8	13.0	3.0
Asia							Financials (US)	8.0	4.2	-5.0	-14.3	8.0
Japan (Nikkei)	8,803	4.1	-2.1	-10.5	-14.0	4.1	Info Tech (US)	7.6	4.6	5.7	4.6	7.6
Hong Kong (Hang Seng)	20,390	10.6	2.6	-9.1	-13.0	10.6	Telecom Svs (US)	-3.9	0.4	-0.5	0.7	-3.9
Australia (ASX 200)	4,263	5.1	-0.8	-3.7	-10.3	5.1	Utilities (US)	-3.7	-0.3	4.8	9.5	-3.7
							Bloomberg/EFFAS Gov Bonds	1mo	3mo	6mo	12mo	YTD
BRIC							All	0.2	2.6	5.8	10.5	0.2
Brazil	63,072	11.1	8.1	7.2	-5.3	11.1	1-5 years	0.1	0.7	2.1	4.3	0.1
Russia	1,577	14.1	0.9	-19.7	-15.7	14.1	5-10 years	0.5	2.9	7.0	12.9	0.5
India	17,194	11.2	-2.9	-5.5	-6.2	11.2	10+ years	0.2	6.6	13.3	23.2	0.2
China	2,293	4.2	-7.1	-15.1	-17.8	4.2	Canadian Yields	Current	-1mo	-3mo	-6mo	-12mo
							3M T-bills	0.9	0.8	0.9	0.9	1.0
MSCI							2-yr Govt Bonds	1.0	1.0	1.0	1.4	1.7
World	1,241	4.9	1.9	-5.0	-5.1	4.9	5-yr Govt Bonds	1.3	1.3	1.5	2.0	2.5
EAFE	1,487	5.3	-1.2	-11.5	-12.4	5.3	10-yr Govt Bonds	1.9	1.9	2.3	2.8	3.3
Emerging Markets	1,019	11.2	2.5	-10.4	-8.9	11.2	30-yr Govt Bonds	2.5	2.5	2.9	3.3	3.7
							U.S. Yields					
Foreign Indices in CAD\$		1mo	3mo	6mo	12mo	YTD	3M T-bills	0.1	0.0	0.0	0.1	0.1
S&P 500		2.4	4.9	6.6	2.2	2.4	2-yr Treasury Bonds	0.2	0.2	0.2	0.4	0.6
S&P 500 Total Return		2.6	5.5	7.8	4.4	2.6	5-yr Treasury Bonds	0.7	0.8	1.0	1.4	1.9
Euro Stoxx 50		3.4	-4.2	-13.7	-21.7	3.4	10-yr Treasury Bonds	1.8	1.9	2.1	2.8	3.4
MSCI World		3.0	2.1	-0.3	-5.0	3.0	30-yr Treasury Bonds	2.9	2.9	3.1	4.1	4.6
MSCI EAFE		3.3	-1.0	-7.1	-12.2	3.3	Currency Levels					
MSCI Emerging		9.2	2.6	-6.0	-8.8	9.2	Canadian Spot	1.00	1.02	1.00	0.96	1.00
							Cdn - Euro	0.76	0.76	0.72	0.73	0.73
							Cdn - Australian	0.94	0.96	0.95	0.95	1.00
							Euro - US	1.31	1.30	1.39	1.44	1.37
							Yen - US	76.27	76.91	78.17	76.76	82.04
							British Pound - US	1.58	1.55	1.61	1.64	1.60
							Trade Weighted Dollar	79.29	80.18	76.17	73.90	77.74

Source: Bloomberg, Prices and percentage change as of end of January, 2012



More Tables of Numbers

Energy	Level	1mo	3mo	6mo	12mo	YTD	Grains	Level	1mo	3mo	6mo	12mo	YTD
Nat Gas (US/MMBtu)	\$2.50	-17.0	-38.0	-44.8	-49.9	-17.0	Corn (US/bu)	\$6.39	-1.2	-1.2	-4.0	-3.1	-1.2
WTI Crude (US/bbl)	\$98.48	-0.5	6.0	0.1	-1.3	-0.5	Wheat (US/bu)	\$6.66	2.0	6.0	-1.0	-20.8	2.0
Gasoline (USd/gal)	289.09	8.9	11.2	-0.3	13.9	8.9	Soybeans (US/bu)	\$11.99	0.0	-0.7	-11.5	-15.1	0.0
Heating Oil (USd/gal)	305.09	5.0	1.2	-3.1	7.9	5.0	Livestock						
Precious Metals							Hogs (US/lb)	\$0.89	1.3	-4.2	-3.5	6.9	1.3
Gold (US/oz)	\$1,740	10.9	0.7	6.5	29.4	10.9	Cattle (US/lb)	\$1.29	2.5	2.4	2.7	8.3	2.5
Silver (US/oz)	\$33.26	19.2	-3.3	-17.1	17.9	19.2	Soft Commodities						
Industrials							Cocoa (US/MT)	\$2,291	8.6	-15.9	-25.0	-32.2	8.6
Aluminum (US/lb)	\$1.00	10.0	-0.7	-16.9	-14.0	10.0	Sugar (USD/lb)	\$23.64	1.5	-8.3	-17.1	-8.0	1.5
Nickel (US/lb)	\$9.43	11.2	6.2	-16.9	-21.7	11.2	FCOJ (USD/lb)	\$210.00	24.3	27.7	18.6	26.9	24.3
Copper (US/lb)	\$3.77	9.5	4.1	-15.4	-14.6	9.5	Coffee (USD/lb)	\$215.05	-5.2	-6.7	-12.8	-10.3	-5.2
Lead (US/lb)	\$1.00	8.7	6.3	-15.3	-11.8	8.7							
Tin (US/lb)	\$11.04	26.8	10.7	-13.4	-19.1	26.8							
Zinc (US/lb)	\$0.96	14.1	5.3	-15.4	-13.2	14.1							
Lumber (US/1000bf)	\$248	0.4	10.7	-0.1	-19.9	0.4							
Cotton (USD/lb)	93.25	1.6	-7.5	-6.1	-13.5	1.6							
Long Term Returns (annualized)			1yr	2yr	3yr	5yr	7yr	10yr	15yr	20yr			
S&P/TSX Comp (price)			-8.1	5.9	12.7	-0.9	4.5	5.0	4.9	6.4			
S&P/TSX Total Return			-5.6	8.8	16.0	1.9	7.3	7.5	7.1	8.8			
S&P 500 (price)			2.0	10.6	16.7	-1.8	1.6	1.5	3.5	6.0			
S&P 500 Total Return			4.2	12.8	19.2	0.3	3.8	3.5	5.4	8.2			
NASDAQ (price)			4.2	14.5	24.0	2.7	4.7	3.8	4.9	7.9			
Europe													
Euro Stoxx 50			-18.2	-6.7	2.6	-10.4	-2.8	-4.1	1.3	4.3			
England (FTSE)			-3.1	4.6	11.0	-1.7	2.3	1.0	2.0	4.0			
France (Cac 40)			-17.6	-6.1	3.5	-10.1	-2.3	-3.0	1.9	2.9			
Germany (DAX)			-8.7	7.3	14.2	-1.0	6.3	2.4	5.2	6.9			
Spain (IBEX)			-21.3	-11.8	0.2	-10.2	-1.0	0.6	3.3	5.9			
Asia													
Japan (Nikkei)			-14.0	-7.1	3.3	-12.7	-3.5	-1.3	-4.6	-4.5			
Hong Kong (Hang Seng)			-13.0	0.7	15.4	0.3	5.9	6.6	2.9	7.7			
Australia (ASX 200)			-10.3	-3.4	6.4	-5.9	0.6	2.1	4.0				
BRIC													
Brazil			-5.3	-1.8	17.1	7.2	14.8	17.4	15.0				
Russia			-15.7	3.5	43.4	-3.1	14.1	18.6	12.3				
India			-6.2	2.5	22.2	4.1	15.1	17.9	11.2	10.6			
China			-17.8	-12.4	4.8	-3.8	9.5	4.4	6.0	10.5			
MSCI													
World			-5.1	5.3	13.9	-3.7	1.3	2.5	2.8	4.4			
EAFE			-12.4	-0.8	10.1	-6.6	0.1	3.1	1.9	2.8			
Emerging Markets			-8.9	4.5	24.4	2.5	9.6	12.0	4.8	5.9			
Bonds													
All Government Bonds			10.5	7.1	5.5	6.2	5.7	6.2	6.4				
International Returns in Cdn Dollars													
S&P 500 (price)			2.2	7.0	9.0	-4.9	-1.4	-3.1	1.5	5.2			
S&P 500 Total Return			4.4	9.2	11.4	-2.8	0.7	-1.1	3.3	7.3			
Euro Stoxx 50			-21.7	-12.3	-3.5	-13.1	-5.7	-4.5					



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