



What mattered this month

January 2012

The January barometer and the Giants won the super bowl What more could we want!!*

*Super Bowl Indicator: If a team from the current NFC (the Giants) wins over a current NFL team - equity markets enter a bull market. January Barometer: which was devised by Stock Trader's Almanac founder Yale Hirsch in 1972 – as January goes – so goes the year!

First let's look at the numbers for the month:

The Toronto TSX	+4.2%
The US S&P500	+4.4%
NASDAQ	+8.0%
German Dax	+11.8%
France Cac40	+4.4%
Japan Nikkei	+4.2%

As of January 31, 2012

Gold was up 11% to \$1,740/oz and silver rose 19% to \$33.26/oz. Industrial metals also did well as economic data appeared to be supportive and aluminum, copper and nickel prices rose about 10%.

Some of the reasons for the strong performance may have been:

Germany reported unemployment was at its lowest level in 2 decades. Further emphasizing that while the Eurozone continues to struggle with its gradual restructuring, there is no doubt the continent has both 'haves' and 'have-nots'

Italian 10 year yields dropped into the 5% range from 7.16% a few weeks before. Italy seems to be gaining some control over its fiscal situation, and the market is acknowledging it.

In the US –

- The Federal Reserve indicated it wouldn't be raising rates for a very long time
- US unemployment drops to 8.5%
- Record profits at Apple helped, as did the 86% positive earnings surprise rate for technology companies reporting so far this earnings season
- Weekly rail traffic for the week ending January 21, 2012, was up 3% compared with the same week last year. Improving rail traffic is often a leading indicator of improving economic times

News in Canada was quiet by comparison with perhaps the biggest headline being RIM's CEO's stepping down and the former COO Thorsten Heins assuming the top job. Markets were unimpressed and the shares dropped 9% on the news.

Conclusion: In our December *What Mattered*, we commented that for 2102 we liked the equity markets in the US the most, this month's stellar returns has only reinforced our view.

The Fox Pierce Segal Group*

Macquarie Private Wealth, 4100 Yonge Street, Suite 500, North York, ON M2P 2B5
T: 416 512 3694 | TF: 1 800 591 0137 | F: 416 221 1958 | W: www.foxpiercesegal.com

*The Fox Pierce Segal Group is part of Macquarie Private Wealth Inc.

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