

Monthly Market Monitor (M³)

Mirror of Last June?

July 4, 2011

Similar to last summer, June witnessed rising concerns of a global slowdown while European sovereign debt issues raised their ugly heads again. In the end, world indexes returns were mixed (table), although the benchmark MSCI World Index ended the month 1.9% lower.

Unlike June 2010, the TSX underperformed the S&P 500. That index lost 1.8% and the NASDAQ was down 2.2%; meanwhile the S&P/TSX Composite finished 3.6% lower. In June, Canadian equities officially corrected, down 10% from recent highs, breaking through the historical resistance level of 13,100 (chart). This is the fourth month in a row that the Canadian market lost ground.

The Greek debt saga distracted global markets, with a number of key developments closely monitored by the media. On the economic front, soft Chinese manufacturing data and weak U.S. employment numbers had markets worried about a global slump. The BRIC countries, except Brazil, bounced back from last month's lows – but only marginally. China gained 0.7% in June and is still down 1.6 YTD.

Sector Watch

In Canada, eight of the ten sectors finished lower. The key sectors of the Canadian economy, Energy and Materials, comprising 46% of the S&P TSX Composite Index, lost 4.9% and 5.4% respectively. Defensive sectors, Telecoms and Consumer Staples, which had been performing well in recent months due to risk-off trading, experienced negative returns in June. Technology (-19.6%) was significantly impacted by RIM's lower guidance.

The U.S. market was down across the board, with Staples (-2.9%), Financials (-2.9%) and Technology (-2.6%) experiencing the largest drops.

Commodities, Currencies & Bonds

Commodity sell-off continued in June as the Commodity Index (CRB) slid another 3.4%. Contributing factors were the weak U.S. employment data and soft global PMI numbers, which fed investors' fear of an international economic slowdown. Greece's messy situation did not help either. The IEA's decision to release 60mm barrels of crude pushed oil down: WTI crude closed 7.6% lower. Agricultural commodities were more volatile than usual; Corn (-15.9%) and Wheat (-25.2%) plummeted at the very end of June when a USDA report revealed higher planting, which surprised almost every analyst on the street. Gold and silver were down 2.2% and 9.1% respectively.

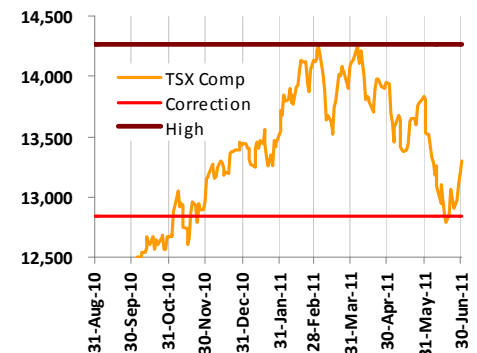
Citi's Economic Surprise index, which tracks the overall trend in economic data relative to consensus market expectations, fell dramatically in June. And recently, contrary to historical patterns, weaker-than-expected number strengthened the greenback due to the negative effect of lower numbers on the short U.S. dollar/long commodities trend. Thus it's no surprise that the U.S. trade weighted dollar fell 0.45%.

The bond market finished weaker with the 10-year Treasury yield increasing from 3.02% to 3.16% and the Canadian 10-year government bond yield from 3.07% to 3.11%.

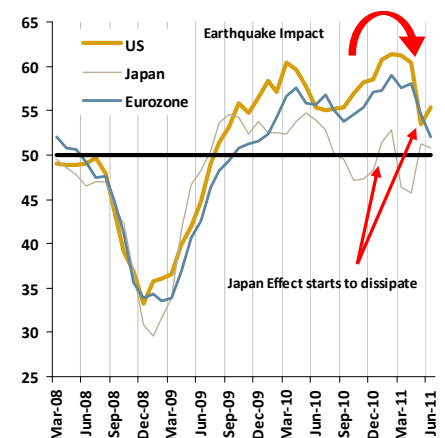
Wow # of the Month:

In the last 12 months, the TSX was up 17.8% and the S&P 28.1%.

10% Correction for the TSX



June Global PMIs

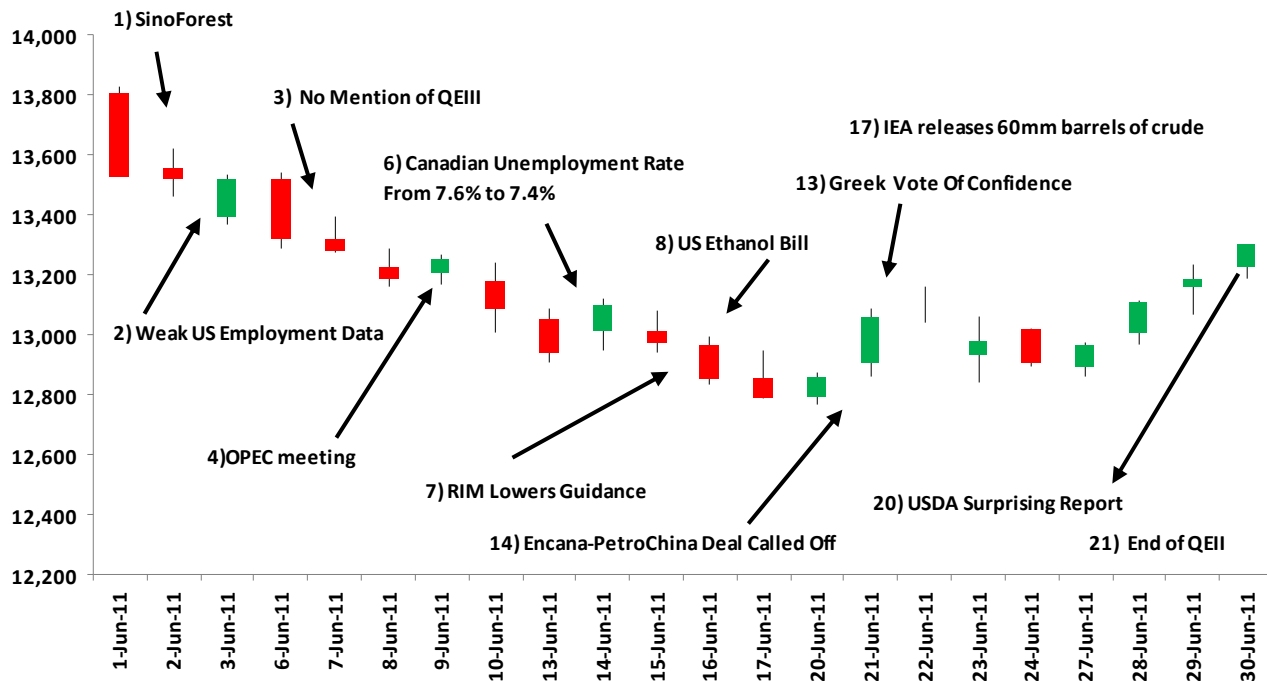


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Big News & the TSX Composite



- 1) SinoForest accused of deceptive accounting by Muddy Waters
- 2) Weak U.S. employment report released
- 3) Bernanke fails to mention QEIII at Fed's meeting, and surprisingly markets cared
- 4) OPEC meeting ends oddly with no agreement reached
- 5) Armtex plunges 50% as it suspends dividends – Viterro and others ex-trusts also felt the hit
- 6) Canadian unemployment rate declines from 7.6% to 7.4%
- 7) RIM lowers guidance
- 8) U.S. bill that would cancel ethanol subsidy to ethanol passes
- 9) Chinese Leading Indicators decline, near contraction level
- 10) German Chancellor hinted that Europe would back up a Greek aid package
- 11) Paris Air Show – Bombardier won a few orders for its new CRJ series
- 12) Greek PM and his government won the vote of confidence
- 13) Encana-PetroChina deal was surprisingly called off
- 14) Fed lowered GDP forecasts to estimates that are more in line with consensus
- 15) Announcement of a coordinated release of 60mm barrels of oil by the U.S and 27 other countries in the next months
- 16) Basel Committee announces new capital requirements for the world's largest financial institutions
- 17) Japan Industrial Production bounced 5.7% in May, signs that the quake effects are dissipating.
- 18) Official End of QEII
- 19) USDA report surprises markets.



Big Table of Numbers

<u>Americas</u>	Level	1mo	3mo	6mo	12mo	YTD
S&P/TSX Composite	13,301	-3.6	-5.8	-1.1	17.8	-1.1
S&P/TSX Comp Total Return	36,540	-3.3	-5.1	0.2	20.9	0.2
S&P 500	1,321	-1.8	-0.4	5.0	28.1	5.0
S&P 500 Total Return	2,242	-1.7	0.1	6.0	30.7	6.0
Dow Jones Ind Avg	12,414	-1.2	0.8	7.2	27.0	7.2
NASDAQ Comp	2,774	-2.2	-0.3	4.5	31.5	4.5
Mexico Bolsa	36,558	2.0	-2.4	-5.2	17.3	-5.2
<u>Europe</u>						
Euro Stoxx 50	2,849	-0.5	-2.1	2.0	10.7	2.0
England (FTSE)	5,946	-0.7	0.6	0.8	20.9	0.8
France (Cac 40)	3,982	-0.6	-0.2	4.7	15.7	4.7
Germany (DAX)	7,376	1.1	4.8	6.7	23.6	6.7
Spain (IBEX)	10,360	-1.1	-2.0	5.1	11.8	5.1
<u>Asia</u>						
Japan (Nikkei)	9,816	1.3	0.6	-4.0	4.6	-4.0
Hong Kong (Hang Seng)	22,398	-5.4	-4.8	-2.8	11.3	-2.8
Australia (ASX 200)	4,608	-2.1	-4.8	-2.9	7.1	-2.9
<u>BRIC</u>						
Brazil	62,404	-3.4	-9.0	-10.0	2.4	-10.0
Russia	1,907	1.0	-6.7	7.7	42.4	7.7
India	18,846	1.9	-3.1	-8.1	6.5	-8.1
China	2,762	0.7	-5.7	-1.6	15.2	-1.6
<u>MSCI</u>						
World	1,331	-1.7	-0.3	4.0	27.8	4.0
EAFE	1,708	-1.4	0.3	3.0	26.7	3.0
Emerging Markets	1,146	-1.9	-2.1	-0.4	24.9	-0.4
<u>Foreign Indices in CAD\$</u>		1mo	3mo	6mo	12mo	YTD
S&P 500		-2.3	-1.1	1.4	16.0	1.4
S&P 500 Total Return		-2.2	-0.6	2.3	18.3	2.3
Euro Stoxx 50		-0.3	-0.5	6.7	18.8	6.7
<u>TSX Sector Performance</u>		1mo	3mo	6mo	12mo	YTD
Materials		-4.9	-8.6	-10.0	21.2	-10.0
Energy		-5.4	-9.1	-1.8	17.7	-1.8
Industrials		0.8	1.4	9.7	27.3	9.7
Consumer Disc		0.1	0.1	-2.3	11.8	-2.3
Consumer Staples		-2.8	1.6	3.9	24.6	3.9
Health Care		-1.2	3.3	56.0	93.3	56.0
Financials		-2.0	-3.6	4.2	15.7	4.2
Info Tech		-19.6	-31.4	-30.8	-23.1	-30.8
Telecom Svs		-0.7	7.5	10.5	20.2	10.5
Utilities		-3.0	-0.5	-0.5	17.6	-0.5
<u>S&P 500 Sector Performance</u>						
Materials (US)		-0.5	-1.4	2.6	42.6	2.6
Energy (US)		-1.9	-5.1	10.4	49.8	10.4
Industrials (US)		-0.8	-1.2	6.9	35.1	6.9
Consumer Disc (US)		-0.3	3.1	7.6	38.4	7.6
Consumer Staples (US)		-2.9	4.5	6.3	22.9	6.3
Health Care (US)		-1.3	7.3	12.7	25.7	12.7
Financials (US)		-2.9	-6.3	-3.7	11.4	-3.7
Info Tech (US)		-2.6	-1.6	1.6	24.5	1.6
Telecom Svs (US)		-1.5	0.8	4.3	31.7	4.3
Utilities (US)		-0.5	5.0	6.7	18.5	6.7
<u>Bloomberg/EFAS Gov Bonds</u>		1mo	3mo	6mo	12mo	YTD
All		0.1	2.5	1.8	3.3	1.8
1-5 years		0.2	1.4	1.5	2.3	1.5
5-10 years		0.2	3.0	2.3	3.8	2.3
10+ years		-0.3	4.2	2.1	5.0	2.1
<u>Canadian Yields</u>		Current	-1mo	-3mo	-6mo	-12mo
3M T-bills		0.9	1.0	1.0	1.0	0.6
2-yr Govt Bonds		1.6	1.5	1.8	1.7	1.4
5-yr Govt Bonds		2.3	2.3	2.8	2.4	2.3
10-yr Govt Bonds		3.1	3.1	3.4	3.1	3.1
30-yr Govt Bonds		3.5	3.5	3.8	3.5	3.6
<u>U.S. Yields</u>						
3M T-bills		0.0	0.0	0.1	0.1	0.2
2-yr Treasury Bonds		0.5	0.5	0.8	0.6	0.6
5-yr Treasury Bonds		1.8	1.7	2.3	2.0	1.8
10-yr Treasury Bonds		3.2	3.1	3.5	3.3	2.9
30-yr Treasury Bonds		4.4	4.2	4.5	4.3	3.9
<u>Currency Levels</u>						
Canadian Spot		0.96	0.97	0.97	1.00	1.06
Cdn - Euro		0.72	0.72	0.73	0.75	0.77
Cdn - Australian		0.97	0.97	1.00	0.98	1.12
Euro - US		1.45	1.44	1.42	1.34	1.22
Yen - US		80.56	81.52	83.13	81.12	88.43
British Pound - US		1.61	1.64	1.60	1.56	1.49
Trade Weighted Dollar		74.30	74.64	75.86	79.03	86.02

Source: Bloomberg, Prices and percentage change as of end of June, 2011



More Tables of Numbers

<u>Energy</u>	Level	1mo	3mo	6mo	12mo	YTD	<u>Grains</u>						
Nat Gas (US/MMBtu)	\$4.37	-6.9	-4.2	-4.5	-16.8	-4.5	Corn (US/bu)	\$6.29	-15.9	-9.3	0.0	77.6	0.0
WTI Crude (US/bbl)	\$95.42	-7.6	-11.6	1.3	19.6	1.3	Wheat (US/bu)	\$5.85	-25.2	-23.4	-26.4	25.8	-26.4
Gasoline (USd/gal)	296.92	-1.6	-2.7	18.6	39.6	18.6	Soybeans (US/bu)	\$13.06	-5.1	-7.4	-6.3	37.7	-6.3
Heating Oil (USd/gal)	294.63	-3.9	-6.4	14.8	34.6	14.8	<u>Livestock</u>						
<u>Precious Metals</u>							Hogs (US/lb)	\$0.92	0.5	-11.1	0.1	17.4	0.1
Gold (US/oz)	\$1,503	-2.2	4.3	5.3	19.4	5.3	Cattle (US/lb)	\$1.11	5.2	-9.2	1.0	19.3	1.0
Silver (US/oz)	\$34.83	-9.1	-8.2	12.0	84.6	12.0	<u>Soft Commodities</u>						
<u>Industrials</u>							Cocoa (US/MT)	\$3,151	4.6	5.7	2.4	4.7	2.4
Aluminum (US/lb)	\$1.14	-5.9	-5.5	0.7	21.9	0.7	Sugar (USD/lb)	\$26.34	14.6	9.0	7.7	66.2	7.7
Nickel (US/lb)	\$10.62	-0.8	-10.3	-5.3	18.3	-5.3	FCOJ (USD/lb)	\$187.10	5.0	18.1	11.6	23.7	11.6
Copper (US/lb)	\$4.28	2.3	0.0	-1.8	44.7	-1.8	Coffee (USD/lb)	\$265.60	-0.8	-1.3	12.1	61.7	12.1
Lead (US/lb)	\$1.22	6.5	-0.4	5.3	53.4	5.3							
Tin (US/lb)	\$11.82	-6.8	-18.1	-3.2	49.5	-3.2							
Zinc (US/lb)	\$1.07	4.4	0.1	-3.6	31.9	-3.6							
Lumber (us/1000bft)	\$245	0.6	-19.3	-18.9	25.6	-18.9							
Cotton (USD/lb)	118.59	-12.5	-10.5	17.9	59.5	17.9							
<u>Long Term Returns (annualized)</u>		<u>1yr</u>	<u>2yr</u>	<u>3yr</u>	<u>5yr</u>	<u>7yr</u>	<u>10yr</u>	<u>15yr</u>	<u>20yr</u>				
S&P/TSX Comp (price)		17.8	13.2	-2.8	2.8	6.6	5.6	6.7	7.0				
S&P/TSX Total Return		20.9	16.3	0.2	5.7	9.4	8.0	8.9	9.4				
S&P 500 (price)		28.1	19.9	1.0	0.8	2.2	0.8	4.6	6.6				
S&P 500 Total Return		30.7	22.3	3.3	2.9	4.3	2.7	6.5	8.7				
NASDAQ (price)		31.5	22.9	6.5	5.0	4.5	2.5	5.8	9.2				
<u>Europe</u>													
Euro Stoxx 50		10.7	8.9	-5.3	-4.8	0.1	-3.9	3.6	5.4				
England (FTSE)		20.9	18.3	1.9	0.4	4.0	0.5	3.2	4.6				
France (Cac 40)		15.7	12.6	-3.5	-4.3	0.8	-2.7	4.3	4.2				
Germany (DAX)		23.6	23.9	4.7	5.4	8.9	2.0	7.3	7.9				
Spain (IBEX)		11.8	2.9	-4.9	-2.1	3.5	1.6	6.1	6.9				
<u>Asia</u>													
Japan (Nikkei)		4.6	-0.7	-10.0	-8.7	-2.7	-2.7	-5.4	-4.2				
Hong Kong (Hang Seng)		11.3	10.4	0.4	6.6	9.2	5.6	4.8	9.5				
Australia (ASX 200)		7.1	7.9	-4.0	-1.9	3.9	2.8	5.1					
<u>BRIC</u>													
Brazil		2.4	10.1	-1.4	11.2	17.0	15.7	16.8					
Russia		42.4	39.0	-6.1	5.0	18.6	24.3	16.1					
India		6.5	14.0	11.9	12.2	21.4	18.5	11.2	14.4				
China		15.2	-3.4	0.3	10.6	10.1	2.2	8.6	16.2				
<u>MSCI</u>													
World		27.8	17.5	-1.7	0.2	3.3	2.1	3.6	5.2				
EAFE		26.7	14.3	-4.6	-1.3	3.6	3.1	2.5	3.9				
Emerging Markets		24.9	22.7	1.8	8.9	15.1	13.5	5.7	8.0				
<u>Bonds</u>													
All Government Bonds		3.3	4.0	5.0	5.6	5.6	6.1	6.6					
<u>International Returns in Cdn Dollars</u>													
S&P 500 (price)		16.0	9.1	-0.9	-2.2	-2.6	-3.7	2.2	5.6				
S&P 500 Total Return		18.3	11.3	1.3	-0.1	-0.6	-1.8	4.1	7.8				
Euro Stoxx 50		18.8	0.8	-9.7	-5.3	-2.0	-3.1						

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