

# Monthly Market Monitor (M<sup>3</sup>)

## Good Start to 2011

The New Year has started off in good fashion, with most markets finishing January in positive territory. The S&P 500 rose 2.3%, besting Canada's S&P/TSX Composite 0.8% gain, which was hurt by falling gold prices. Globally, European markets were the shining star, rising 5.8% as a region, or 8.5% if you incorporate the rising euro. A number of successful government bond auctions have quelled the sovereign debt issues, for the time being at least. The only area of weakness was emerging markets, which have been impacted by the turmoil in Tunisia and now the continued rioting in Egypt. Concerns that this may proliferate to other countries in the region has money coming out of emerging markets globally, in search of a safer parking spot, such as the U.S. dollar and even the euro. The Egyptian situation has also caused a spike in energy prices, erasing early month weakness, as an estimated 300 tankers per month use the channel. Higher energy prices helped Russia buck the trend lower in emerging market indices. Russian equities rose 5.7% during the month, also helped by stronger than expected GDP of 4.0% for 2010.

### Sector Watch

The Canadian market actually did better than the headline gain of +0.8%. Energy enjoyed strong gains of +4.6%, Industrials +3.4% and Telecom Svs +4.1%. Yes, Health Care rose a whopping +22.2% but this sector only carries a 1.0% weighting in the TSX. Although it wasn't that long ago that its weight was less than 0.5%. Hurting the TSX was the weighting towards gold and silver levered stocks. Gold declined by 6.3% during January, while silver dropped 8.9%. This weighed heavily on the S&P/TSX Gold and Precious Metals sub-indices, which were down 11.2% and 18.5% respectively. These two carry a combined weight of 12.5% in the TSX.

The U.S. market enjoyed generally more positive returns, with Energy +7.3%, Industrials +4.2% and Information Technology +4.2% pushing the index higher. Diverging from the positive performance of the Canadian Telecom Services (+4.1%), U.S. telcos declined 3.8% during the month.

### Commodities, Currencies & Bonds

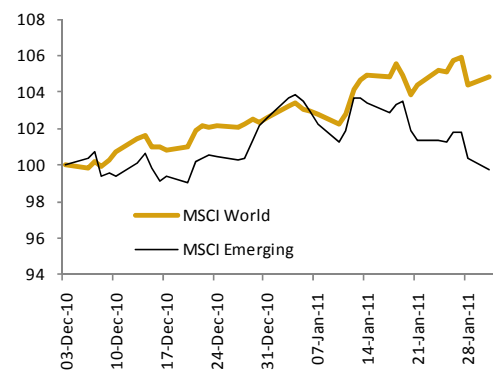
Bond yields ticked slightly higher again in January in both Canada and the U.S. Of note, the Canadian bond market has declined for four consecutive months, a streak that has not occurred since 1994. Currencies during January were a little quieter with the euro strengthening and the Canada/U.S. dollar again holding at parity.

Commodity prices were generally higher, except for the precious metals. Cotton prices rose because Egypt is an exporter. The other big movers were hogs (+12.1%) and cocoa (+10.4%), so best to lay off the chocolate-covered bacon.

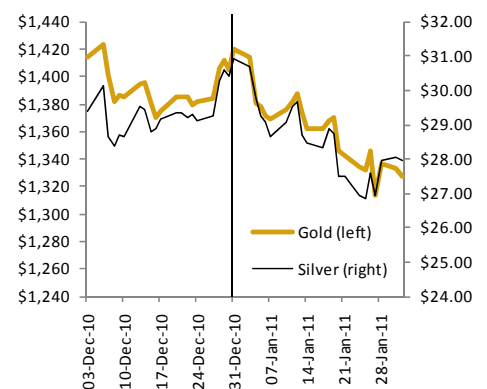
### Wow # of the Month:

Annualized return for China over the past decade is only +3.1%, compared to +3.8% for TSX.

### Emerging Markets Soften in January



### Precious Metals Take a Dip



Source: Macquarie Private Wealth



## Big Table of Numbers

<u>Americas</u>	Level	1mo	3mo	6mo	12mo	YTD						
S&P/TSX Composite	13,552	0.8	6.9	15.7	22.2	0.8						
S&P/TSX Comp Total Return	36,840	1.0	7.6	17.2	25.5	1.0						
S&P 500	1,286	2.3	8.7	16.8	19.8	2.3						
S&P 500 Total Return	2,164	2.4	9.2	17.9	22.2	2.4						
Dow Jones Ind Avg	11,892	2.7	7.0	13.6	18.1	2.7						
NASDAQ Comp	2,700	1.8	7.7	19.8	25.7	1.8						
Mexico Bolsa	36,982	-4.1	4.0	14.5	21.7	-4.1						
<u>Europe</u>												
Euro Stoxx 50	2,954	5.8	3.8	7.7	6.4	5.8						
England (FTSE)	5,863	-0.6	3.3	11.5	13.0	-0.6						
France (Cac 40)	4,006	5.3	4.5	9.9	7.1	5.3						
Germany (DAX)	7,077	2.4	7.2	15.1	26.2	2.4						
Spain (IBEX)	10,806	9.6	-0.1	2.9	-1.3	9.6						
<u>Asia</u>												
Japan (Nikkei)	10,238	0.1	11.3	7.3	0.4	0.1						
Hong Kong (Hang Seng)	23,447	1.8	1.5	11.5	16.5	1.8						
Australia (ASX 200)	4,754	0.2	2.0	5.8	4.0	0.2						
<u>BRIC</u>												
Brazil	66,575	-3.9	-5.8	-1.4	1.8	-3.9						
Russia	1,870	5.7	17.8	26.4	26.9	5.7						
India	18,328	-10.6	-8.5	2.6	12.0	-10.6						
China	2,791	-0.6	-6.3	5.8	-6.6	-0.6						
<u>MSCI</u>												
World	1,308	2.2	7.0	16.3	16.8	2.2						
EAFE	1,696	2.3	4.9	15.0	12.3	2.3						
Emerging	1,119	-2.8	1.2	12.9	19.9	-2.8						
<u>Foreign Indices in CAD\$</u>		1mo	3mo	6mo	12mo	YTD						
S&P 500		2.6	6.7	13.5	12.0	2.6						
S&P 500 Total Return		2.7	7.3	14.6	14.3	2.7						
Euro Stoxx 50		8.5	0.1	9.9	-1.8	8.5						
MSCI World		2.5	5.1	13.1	9.3	2.5						
MSCI EAFE		2.6	3.1	11.8	5.0	2.6						
MSCI Emerging		-2.5	-0.6	9.7	12.1	-2.5						
							<u>TSX Sector Performance</u>	1mo	3mo	6mo	12mo	YTD
							Materials	-5.4	3.6	29.3	40.2	-5.4
							Energy	4.6	16.2	20.5	22.7	4.6
							Industrials	3.4	5.6	13.2	24.8	3.4
							Consumer Disc	2.4	5.7	13.1	25.2	2.4
							Consumer Staples	-0.5	-0.4	10.4	10.8	-0.5
							Health Care	22.2	22.9	49.1	87.5	22.2
							Financials	0.6	3.0	5.5	12.4	0.6
							Info Tech	2.9	4.6	4.4	-5.1	2.9
							Telecom Svs	4.1	3.2	11.3	24.1	4.1
							Utilities	0.7	5.3	11.6	17.5	0.7
							<u>S&amp;P 500 Sector Performance</u>					
							Materials (US)	-0.1	11.0	23.6	31.1	-0.1
							Energy (US)	7.3	22.9	34.9	32.5	7.3
							Industrials (US)	4.2	13.0	19.4	30.8	4.2
							Consumer Disc (US)	-0.7	5.7	18.6	28.6	-0.7
							Consumer Staples (US)	-1.8	0.6	7.3	10.1	-1.8
							Health Care (US)	0.4	1.4	10.6	0.7	0.4
							Financials (US)	2.8	12.7	11.5	15.6	2.8
							Info Tech (US)	4.2	7.7	19.2	24.2	4.2
							Telecom Svs (US)	-3.8	2.0	12.4	19.1	-3.8
							Utilities (US)	1.1	0.1	4.6	7.4	1.1
							<u>Bloomberg/EFFAS Gov Bonds</u>	1mo	3mo	6mo	12mo	YTD
							All	-0.6	-1.7	0.7	3.7	-0.6
							1-5 years	0.2	-0.4	0.8	2.0	0.2
							5-10 years	-0.6	-2.4	0.6	3.9	-0.6
							10+ years	-2.2	-3.7	1.0	7.0	-2.2
							<u>Canadian Yields</u>	Current	-1mo	-3mo	-6mo	-12mo
							3M T-bills	1.0	1.0	1.0	0.7	0.2
							2-yr Govt Bonds	1.7	1.7	1.4	1.5	1.2
							5-yr Govt Bonds	2.5	2.4	2.0	2.3	2.5
							10-yr Govt Bonds	3.3	3.1	2.8	3.1	3.4
							30-yr Govt Bonds	3.7	3.5	3.4	3.7	3.9
							<u>U.S. Yields</u>					
							3M T-bills	0.1	0.1	0.1	0.1	0.1
							2-yr Treasury Bonds	0.6	0.6	0.3	0.5	0.8
							5-yr Treasury Bonds	1.9	2.0	1.2	1.6	2.3
							10-yr Treasury Bonds	3.4	3.3	2.6	2.9	3.6
							30-yr Treasury Bonds	4.6	4.3	4.0	4.0	4.5
							<u>Currency Levels</u>					
							Canadian Spot	1.00	1.00	1.02	1.03	1.07
							Cdn - Euro	0.73	0.75	0.70	0.74	0.67
							Cdn - Australian	1.00	0.98	1.00	1.07	1.06
							Euro - US	1.37	1.34	1.39	1.31	1.39
							Yen - US	82.04	81.12	80.40	86.47	90.27
							British Pound - US	1.60	1.56	1.60	1.57	1.60
							Trade Weighted Dollar	77.74	79.03	77.27	81.54	79.46

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



## More Tables of Numbers

<u>Energy</u>	<u>Level</u>	<u>1mo</u>	<u>3mo</u>	<u>6mo</u>	<u>12mo</u>	<u>YTD</u>	<u>Grains</u>	<u>Level</u>	<u>1mo</u>	<u>3mo</u>	<u>6mo</u>	<u>12mo</u>	<u>YTD</u>
Nat Gas (US/MMBtu)	\$4.42	0.0	4.8	-15.9	-29.3	0.0	Corn (US/bu)	\$6.60	4.8	13.3	67.9	85.0	4.8
WTI Crude (US/bbl)	\$92.19	0.0	10.8	12.4	17.3	0.0	Wheat (US/bu)	\$8.41	5.9	17.2	27.1	77.4	5.9
Gasoline (USd/gal)	250.01	2.7	18.5	20.5	25.8	2.7	Soybeans (US/bu)	\$14.13	1.4	15.3	34.3	54.6	1.4
Heating Oil (USd/gal)	274.03	7.5	20.1	23.3	29.6	7.5	<u>Livestock</u>						
<u>Precious Metals</u>							Hogs (US/lb)	\$0.94	12.1	23.8	21.9	33.1	12.1
Gold (US/oz)	\$1,335	-6.3	-2.0	12.4	22.3	-6.3	Cattle (US/lb)	\$1.14	1.6	8.9	14.7	24.4	1.6
Silver (US/oz)	\$28.17	-8.9	14.4	55.7	72.9	-8.9	<u>Soft Commodities</u>						
<u>Industrials</u>							Cocoa (US/MT)	\$3,352	10.4	18.3	6.9	2.2	10.4
Aluminum (US/lb)	\$1.14	2.0	7.0	13.9	16.6	2.0	Sugar (USD/lb)	\$33.97	5.8	16.7	82.6	65.4	5.8
Nickel (US/lb)	\$12.40	10.5	18.8	29.0	47.3	10.5	FCOJ (USD/lb)	\$168.55	3.1	6.3	11.8	11.7	3.1
Copper (US/lb)	\$4.42	1.5	18.8	33.6	44.5	1.5	Coffee (USD/lb)	\$244.80	1.8	19.2	38.8	74.6	1.8
Lead (US/lb)	\$1.14	-1.6	2.5	20.8	24.0	-1.6							
Tin (US/lb)	\$13.65	11.9	17.6	54.3	75.0	11.9							
Zinc (US/lb)	\$1.10	-1.1	0.2	19.9	15.0	-1.1							
Lumber (us/1000bft)	\$310	2.6	20.6	48.3	24.7	2.6							
Cotton (USD/lb)	168.44	16.3	39.8	120.8	131.9	16.3							
<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)			22.2	24.8	1.0	2.6	6.9	3.8	6.9	7.4			
S&P/TSX Total Return			25.5	28.6	4.1	5.5	9.6	6.2	9.1	9.8			
S&P 500 (price)			19.8	24.8	-2.3	0.1	1.9	-0.6	4.8	6.8			
S&P 500 Total Return			22.2	27.5	-0.1	2.2	3.9	1.3	6.7	9.0			
NASDAQ (price)			25.7	35.2	4.2	3.2	3.9	-0.3	6.4	9.8			
<u>Europe</u>													
Euro Stoxx 50			6.4	14.9	-8.0	-4.4	0.6	-4.7	4.1	6.3			
England (FTSE)			13.0	18.9	-0.1	0.4	4.2	-0.7	3.0	5.1			
France (Cac 40)			7.1	16.1	-6.3	-4.1	1.4	-4.0	4.7	4.8			
Germany (DAX)			26.2	27.7	1.1	4.5	8.3	0.4	7.3	8.4			
Spain (IBEX)			-1.3	13.1	-6.5	-0.5	4.5	0.7	7.3	8.0			
<u>Asia</u>													
Japan (Nikkei)			0.4	13.2	-9.0	-9.3	-0.7	-3.0	-4.6	-4.0			
Hong Kong (Hang Seng)			16.5	32.9	0.0	8.3	8.4	3.8	4.9	10.4			
Australia (ASX 200)			4.0	15.9	-5.6	-0.7	5.5	3.6	5.2				
<u>BRIC</u>													
Brazil			1.8	30.2	3.8	11.6	17.3	14.2	18.6				
Russia			26.9	87.0	-0.6	7.3	17.3	26.8	23.3				
India			12.0	39.5	1.3	13.1	18.2	15.5	13.0	15.8			
China			-6.6	18.4	-14.0	17.3	8.4	3.1	11.6	16.6			
<u>MSCI</u>													
World			16.8	24.9	-3.7	-0.1	3.2	0.5	3.8	5.2			
EAFE			12.3	23.3	-6.0	-1.0	3.8	1.3	2.7	3.7			
Emerging Markets			19.9	45.4	0.9	7.4	13.6	11.4	5.7	9.0			
<u>Bonds</u>													
All Government Bonds			3.7	3.0	4.8	4.9	5.2	5.9	6.4				
<u>International Returns in Cdn Dollars</u>													
S&P 500 (price)			12.0	12.6	-2.3	-2.5	-2.2	-4.5	2.6	6.0			
S&P 500 Total Return			14.3	15.1	-0.1	-0.4	-0.2	-2.7	4.5	8.2			
Euro Stoxx 50			-1.8	7.2	-10.5	-4.6	-2.1	-4.9					
MSCI World			3.8	6.7	-7.0	-2.7	-0.7	-3.5	1.6	4.4			
MSCI EAFE			-0.6	4.8	-9.7	-3.3	-0.1	-3.0	0.4	3.0			
MSCI Emerging Markets			10.3	28.9	-2.6	7.0	10.4	8.7	4.1	8.7			



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