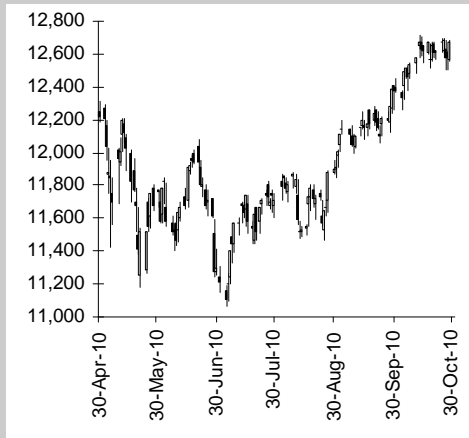




CANADA

TSX Recovers From Summer Weakness

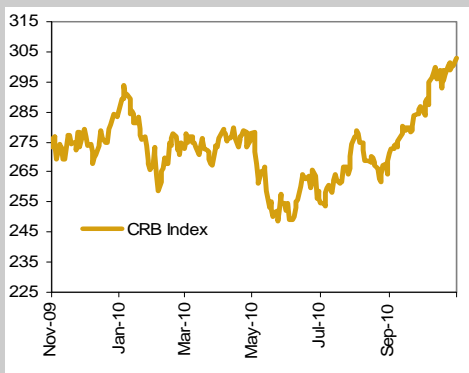


Source: Bloomberg, Macquarie Private Wealth

US Treasury Yield Curve Steepens

Maturity	30-Sep-10	31-Oct-10	Change
3 mo	0.15	0.11	-0.04
6 mo	0.19	0.16	-0.03
12 mo	0.25	0.20	-0.04
2 yr	0.42	0.34	-0.09
3 yr	0.63	0.49	-0.13
5 yr	1.26	1.17	-0.10
7 yr	1.91	1.89	-0.02
10 yr	2.51	2.60	0.09
30 yr	3.68	3.98	0.30

Commodities on the Move



Source: Bloomberg, Macquarie Private Wealth

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Monthly Market Monitor (M³)

October Follows On Septembers Gains

Most equity indices extended September's stellar gains into October, albeit at a more moderate pace. Canada's TSX Composite rose 2.5% while the S&P 500 advanced 3.7%. But the real stars were overseas, as the German DAX led Europe with a 6.0% rise and China, after being in the doldrums for much the past year, rose 12.2% in October.

It appears the market's resiliency is being driven by a couple of factors. One is the much telegraphed bout of quantitative easing the U.S. Federal Reserve is expected to unleash this coming week. This has been pushing yields and the U.S. dollar lower, while helping equity and commodity prices. The other factor is another solid earnings season. While not over, so far third quarter earnings have provided a lot of positive data points for the market. And this is welcome news considering there has been very little improvement in the economic data.

Sector Watch

In Canada, every sector except utilities rose during the month of October. While Information Technology (+11.2%) and Health Care (+8.2%) were the biggest percentage gainers, they had a very small impact on the TSX as their combined weight is 3.4%. For the TSX, the Materials (+4.1%) sector does carry a punch with a 23% weighting. Within materials it was the precious metals, diversified miners and paper and forestry products gaining the most. The interest-sensitive sectors didn't fair nearly as well, including Utilities (-0.9%) and Financials (+1.6%), which were held back by a measly 0.9% rise in the banks.

In the U.S., it was a tale of those economically-sensitive and those not as much. Energy (+5.6%), Materials (+6.6%), Consumer Discretionary (+5.3%) and Information Technology (+6.4%) were the stars.

Commodities & Bonds

The bond markets had a tougher October. The yield on longer Canadian maturities crept a little higher, but the bigger moves were in the U.S. Treasury market. The 30-year Treasury yield jumped from 3.7 to 4.0% during the month while yields on the earlier maturities fell. This has led to the steepest yield curve, as measured by 30 vs. 10-year Treasury yields. since our data began in the early 1970s.

Commodities enjoyed another very strong month- pretty much all of them except energy. Silver rose 12.6% to its highest level since the inflationary late 70s / early 80s. Sugar and cotton were big gainers, rising 22.9% and 24.0% respectively during the month. Other industrial and agriculture commodities rose as well. This had the CRB Index, which represents a broad basket of commodities, rising 5%.

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)	\$4.04	-2.0	-23.2	-21.8	-40.2	-31.5	Corn (US/bu)	\$5.82	17.4	48.2	58.9	59.0	40.4
WTI Crude (US/bbl)	\$81.43	0.6	1.1	-11.2	-1.0	-2.3	Wheat (US/bu)	\$7.17	6.4	8.4	45.9	45.1	32.5
Gasoline (USd/gal)	205.94	0.8	2.3	-9.8	1.2	-1.5	Soybeans (US/bu)	\$12.26	10.8	16.5	23.9	25.4	17.9
Heating Oil (USd/gal)	223.77	-2.0	3.2	-9.0	0.1	0.8	<u>Livestock</u>						
<u>Precious Metals</u>							Hogs (US/lb)	\$0.66	-11.6	-12.2	-10.9	2.6	-2.0
Gold (US/oz)	\$1,358	3.7	14.7	14.6	29.5	23.0	Cattle (US/lb)	\$0.99	-0.8	2.7	1.4	11.4	10.2
Silver (US/oz)	\$24.56	12.6	36.1	31.3	50.2	45.0	<u>Soft Commodities</u>						
<u>Industrials</u>							Cocoa (US/MT)	\$2,797	-0.6	-10.3	-14.5	-15.8	-15.1
Aluminum (US/lb)	\$1.05	-0.8	6.5	1.4	16.4	1.7	Sugar (USD/lb)	\$29.12	24.0	56.6	75.3	50.2	33.3
Nickel (US/lb)	\$10.40	-1.9	8.3	-12.8	25.8	23.1	FCOJ (USD/lb)	\$157.70	-0.8	5.6	11.6	18.9	14.9
Copper (US/lb)	\$3.72	2.3	12.4	10.4	26.5	11.2	Coffee (USD/lb)	\$203.45	11.1	15.1	47.2	38.9	43.0
Lead (US/lb)	\$1.11	7.5	17.9	9.8	6.2	0.7							
Tin (US/lb)	\$11.61	5.6	31.2	40.3	74.1	51.0							
Zinc (US/lb)	\$1.10	10.4	19.7	6.0	12.2	-5.4							
Lumber (US/1000bf)	\$257	13.2	23.0	-11.8	37.5	25.4							
Cotton (USD/lb)	125.26	22.9	59.0	60.7	66.9	64.4							

<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)	16.2	13.9	-4.7	4.1	7.2	2.8	7.2	7.3
S&P/TSX Total Return	19.5	17.6	-1.7	7.0	9.9	5.1	9.4	9.8
S&P 500 (price)	14.2	10.5	-8.6	-0.4	1.7	-1.9	4.9	7.0
S&P 500 Total Return	16.5	13.1	-6.5	1.7	3.8	0.0	6.7	9.3
NASDAQ (price)	22.6	20.7	-4.3	3.4	3.8	-2.9	6.1	10.7
<u>Europe</u>								
Euro Stoxx 50	3.7	4.8	-14.1	-3.0	1.4	-5.6	4.8	6.0
England (FTSE)	12.5	13.9	-5.5	1.3	4.1	-1.3	3.2	5.2
France (Cac 40)	6.3	4.8	-13.1	-2.9	1.8	-5.0	5.1	4.3
Germany (DAX)	21.9	15.0	-6.3	6.0	8.8	-0.7	7.7	7.9
Spain (IBEX)	-5.3	8.9	-12.0	0.6	6.1	0.4	8.3	8.0
<u>Asia</u>								
Japan (Nikkei)	-8.3	3.6	-18.1	-7.5	-1.9	-4.5	-4.3	-4.9
Hong Kong (Hang Seng)	6.2	28.6	-9.7	9.9	9.6	4.5	5.9	10.8
Australia (ASX 200)	0.4	7.7	-11.6	0.9	5.2	3.7	5.7	
<u>BRIC</u>								
Brazil	14.8	37.7	2.7	18.5	21.6	16.9	20.8	
Russia	17.7	43.3	-10.6	11.2	17.7	23.7		
India	26.0	43.1	0.3	20.5	22.3	18.4	12.5	
China	-0.6	31.3	-20.6	22.2	12.0	4.3	10.0	
<u>MSCI</u>								
World	10.5	13.0	-10.1	0.5	3.5	-0.5	3.9	5.0
EAFE	5.5	14.2	-12.2	0.6	4.7	0.7	2.8	3.4
Emerging Markets	20.9	39.2	-6.1	12.4	15.3	11.9	6.2	9.2
<u>Bonds</u>								
All Government Bonds	6.8	6.4	6.7	5.5	5.9	6.4	6.9	
<u>International Returns in Cdn Dollars</u>								
S&P 500 (price)	7.3	1.3	-6.2	-3.3	-2.0	-5.7	2.9	6.3
S&P 500 Total Return	9.5	3.7	-4.0	-1.2	0.0	-4.0	4.8	8.5
Euro Stoxx 50	-7.7	0.5	-13.0	-3.0	0.4	-4.7		
MSCI World	3.8	3.6	-7.7	-2.5	-0.3	-4.4	2.0	4.3
MSCI EAFE	-0.9	4.7	-9.9	-2.4	0.9	-3.2	0.9	2.7
MSCI Emerging Markets	13.7	27.7	-3.7	9.1	11.1	7.5	4.3	8.5

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