

## Monthly Market Snapshot

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- After a troubling start to the month of August, North American equities ended higher, with the S&P 500 adding 3.6%, and the S&P/TSX gaining 0.9% for the period. Concerns over the pace of economic recovery as well as worries over the level of equity valuations made for a turbulent start to August but investors became more risk tolerant as much of the data and corporate earnings continued to come in better-than-expected as the month progressed.
- The financials were the big story in Canada and the US as many Canadian banks reported stellar earnings results near the end of the month, while US financials hit the hardest during the credit crisis such as AIG, Bank of American, and Citigroup lead the charge higher for the sector.
- Commodities held up moderately well despite uncertainty over the outlook for resource demand, as the CRB Index shed only 1.46%. Regarding energy, crude oil reached its high for 2009 at US\$74.37/bbl., but natural gas fell sharply. The once rich province of Alberta is feeling the pain of the depressed natural gas market, as it reported its biggest ever deficit at \$7-billion as royalty revenues fell.
- As mentioned earlier, economic data came in mostly above expectations. While relatively poor durable goods orders and wholesale inventory data bucked the improving trend, better than expected housing market data as well as rising consumer confidence numbers reassured investors. Furthermore, 2Q09 GDP readings hinted that the recession might have ended or is soon coming to a close in the developed world. The US, Germany, France, and Poland all enjoyed better-than-expected 2Q09 GDP readings, and although Canada's GDP contracted more than anticipated for the quarter, it ticked higher in August, the first positive monthly move since 2008.
- Canada's monetary authorities weighed in on the country's economic condition. Bank of Canada governor, Mark Carney, believes that Canada's economy is improving but noted that the strength in the nation's dollar could dampen recovery prospects, while Finance Minister, Jim Flaherty, echoed the same sentiments regarding Canada's currency. The Canadian dollar hit 1.0658 CAD/USD in early August, but as the month ended it was under pressure on persisting rumours over the likelihood of eventual intervention tactics by the Bank of Canada to improve the loonie's competitiveness.
- For the first time in sixteen years, the US dollar became cheaper to borrow than the Yen, as an apparent switch seems to be occurring between the two as the base currency for carry trades. This, along with confirmation from the Fed that it will likely leave rates steady for the foreseeable future and the continued increase in speculative short trade positions against the greenback contributed to the US dollar's continued weakness.
- North American equity markets pushed higher throughout August, even in the face of dismal performance in Asian markets, where China's Shanghai index realized a 22% drop in August alone. The DJIA Index posted its best August since 2002, extending the market rally that began March 9, 2009. That said, investors continue to hold very high level of cash in money market assets. With the start of September, equity markets are entering the most volatile month historically – things may not settle down until 3Q09 earnings season begins mid-October.

# Monthly Market Statistics: August 2009

## Total Return Index Returns (Annualized After One Year)

	Local							C\$						
	1M	3M	6M	YTD	1YR	3YR	5YR	1M	3M	6M	YTD	1YR	3YR	5YR
TSX Composite	0.9%	5.6%	36.0%	23.7%	-18.2%	-0.6%	8.0%	0.9%	5.6%	36.0%	23.7%	-18.2%	-0.6%	8.0%
S&P 500	3.6%	11.7%	40.5%	15.0%	-18.3%	-5.8%	0.5%	5.3%	12.2%	21.8%	3.7%	-15.6%	-6.0%	-3.1%
MSCI EAFE	4.4%	12.1%	37.0%	18.7%	-15.0%	-7.0%	4.0%	7.2%	15.1%	33.6%	12.5%	-11.7%	-4.5%	2.6%
MSCI World	3.8%	11.5%	38.5%	17.3%	-16.8%	-6.0%	2.4%	5.9%	13.1%	27.6%	8.9%	-14.0%	-4.9%	0.0%
MSCI Pacific	1.7%	9.5%	33.2%	18.8%	-18.1%	-10.2%	2.0%	5.5%	13.6%	27.0%	9.6%	-6.0%	-4.7%	1.5%
MSCI Emerging	0.1%	8.5%	51.4%	42.8%	-2.3%	6.4%	15.7%	1.3%	10.0%	48.3%	36.3%	-6.8%	5.2%	12.8%
TSX Small Cap	5.9%	9.2%	39.8%	29.9%	-23.6%	-10.0%	-0.1%	5.9%	9.2%	39.8%	29.9%	-23.6%	-10.0%	-0.1%
Global Small Cap	5.7%	15.7%	52.4%	29.8%	-14.0%	-6.5%	3.6%	7.9%	17.4%	39.1%	19.8%	-10.7%	-5.0%	1.4%
Bonds - CDN	1.1%	3.0%	5.6%	4.6%	7.2%	5.5%	5.8%	1.1%	3.0%	5.6%	4.6%	7.2%	5.5%	5.8%
Bonds - 1- 5 yr	0.7%	1.6%	3.0%	3.6%	7.4%	5.9%	4.9%	0.7%	1.6%	3.0%	3.6%	7.4%	5.9%	4.9%

## Total Return Index Returns by Calendar Year

	Local					C\$					Recent Data			
	YTD	2008	2007	2006	2005	YTD	2008	2007	2006	2005	2004	Current	High*	Low*
TSX Composite	23.7%	-33.0%	9.8%	17.3%	24.1%	23.7%	-33.0%	9.8%	17.3%	24.1%	14.5%	28407.4	33138.5	19470.0
S&P 500	15.0%	-37.0%	5.5%	15.8%	4.9%	3.7%	-22.6%	-10.3%	16.1%	1.5%	2.8%	1670.5	2032.1	1095.0
MSCI EAFE	18.7%	-39.9%	4.0%	16.9%	29.5%	12.5%	-30.1%	-5.1%	27.2%	10.3%	11.9%	2272.0	2637.8	1535.2
MSCI World	17.3%	-38.3%	5.2%	16.1%	16.3%	8.9%	-26.7%	-6.8%	21.0%	6.4%	6.8%	2523.3	2996.3	1683.1
MSCI Pacific	18.8%	-42.2%	-1.4%	11.6%	38.1%	9.6%	-21.6%	-10.2%	12.8%	19.0%	10.6%	1321.1	1575.4	922.2
MSCI Emerging	42.8%	-45.7%	33.5%	28.9%	35.8%	36.3%	-42.5%	18.9%	32.9%	30.1%	16.7%	66451.9	67628.8	38425.4
TSX Small Cap	29.9%	-45.5%	0.9%	11.6%	10.6%	29.9%	-45.5%	0.9%	11.6%	10.6%	6.5%	579.1	718.2	367.4
Global Small Cap	29.8%	-40.4%	-3.8%	13.6%	23.3%	19.8%	-28.3%	-14.0%	17.9%	12.3%	15.6%	155.4	178.9	93.2
Bonds - CDN	4.6%	3.7%	4.1%	6.5%	7.1%	4.6%	3.7%	4.1%	6.5%	7.1%	6.7%	731.8	731.8	663.5
Bonds - 1- 5 yr	3.6%	4.1%	4.0%	2.4%	5.1%	3.6%	4.1%	4.0%	2.4%	5.1%	5.1%	574.3	574.3	531.6

\* High and Low values based on prior 52 weeks of historical data

## Canadian Average Cash Yields

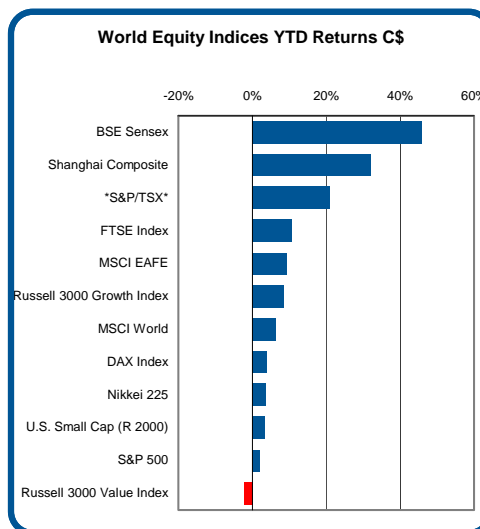
	Actual	1M	3M	6M	1YR	3YR	5YR
1M T-Bill	0.12%	0.16%	0.16%	0.19%	0.68%	2.61%	2.75%
3M T-Bill	0.20%	0.22%	0.23%	0.25%	0.76%	2.67%	2.85%
1YR T-Bill	0.51%	0.56%	0.54%	0.53%	0.99%	2.86%	3.08%

## Currencies

	Actual	1M	3M	6M	1YR	3YR	5YR
C\$/US\$	\$0.91	-1.45%	-0.29%	16.63%	-2.72%	0.92%	20.03%
US\$ Trade wt.	\$78.17	-0.22%	-1.48%	-11.18%	1.02%	-8.09%	-12.11%
Euro/C\$	\$1.57	2.05%	1.57%	-2.98%	0.42%	10.87%	-1.97%
Yen/C\$	\$1.17	3.20%	2.62%	-10.20%	20.13%	24.94%	-2.31%

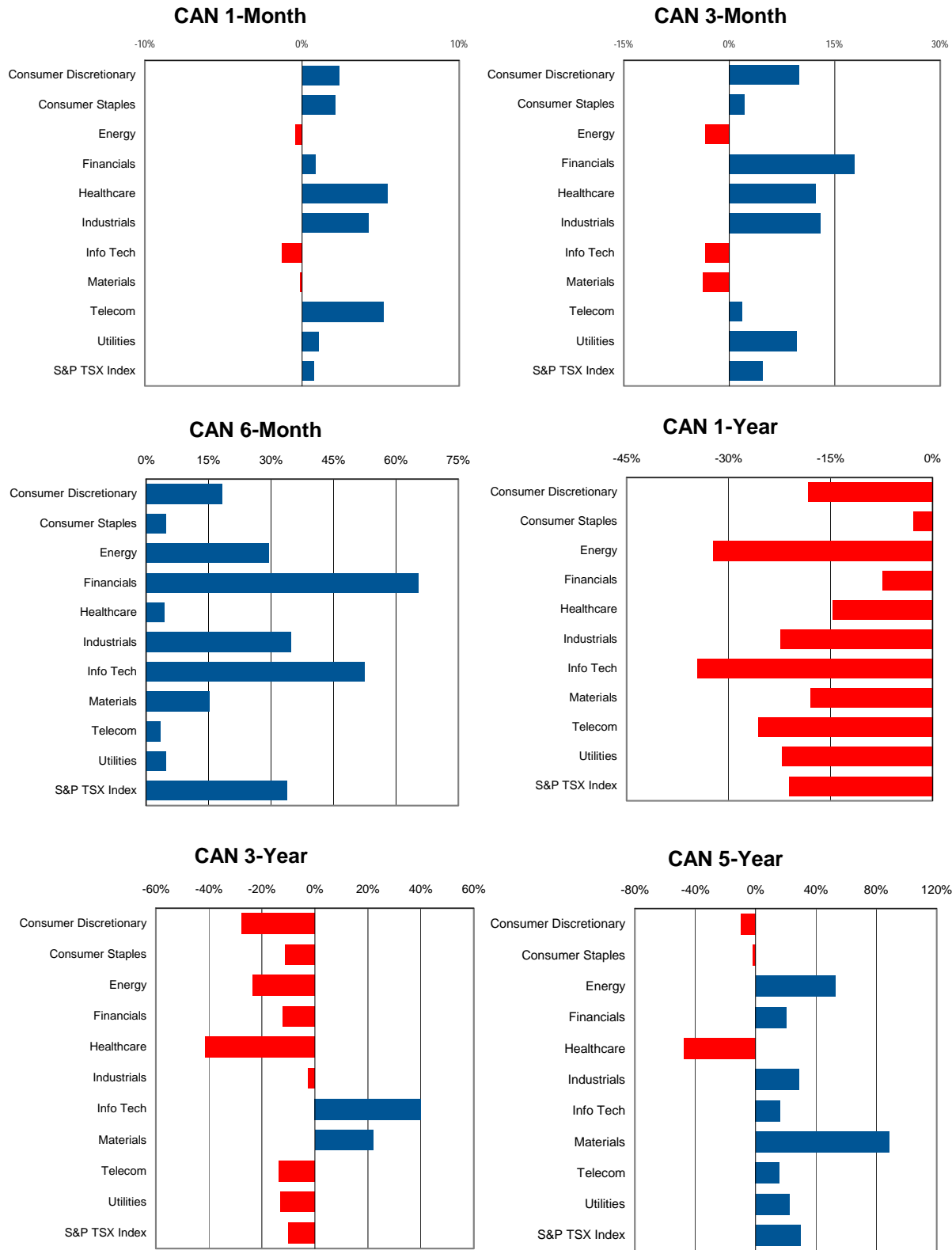
## Commodities

	Actual	1M	3M	6M	1YR	3YR	5YR
Oil	\$69.96	0.7%	5.5%	56.3%	-39.4%	-0.4%	66.1%
Nat Gas	\$2.98	-18.5%	-22.4%	-29.1%	-62.5%	-50.8%	-41.3%
Gold	\$951.6	-0.2%	-2.8%	1.1%	14.5%	51.6%	131.7%
Copper	\$280.8	7.3%	27.8%	84.0%	-18.1%	-19.1%	119.2%



Source: Bloomberg, iShares.ca

## Canadian GIC Sector Performance (C\$)

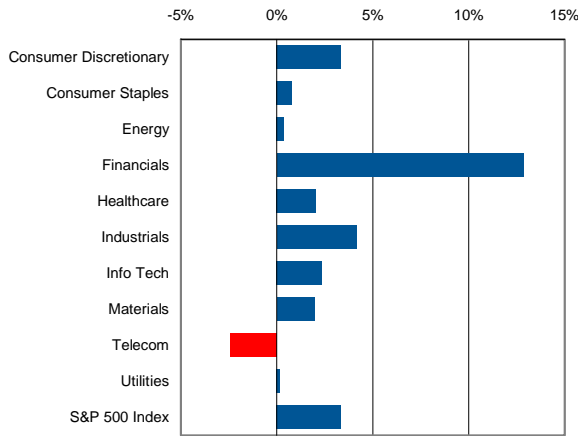


Source: Bloomberg

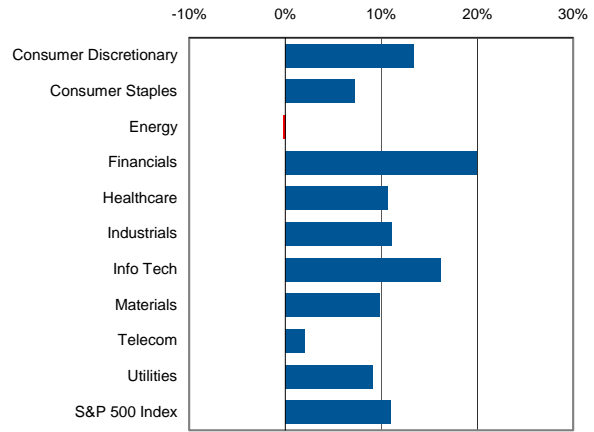


# US GIC Sector Performance (US\$)

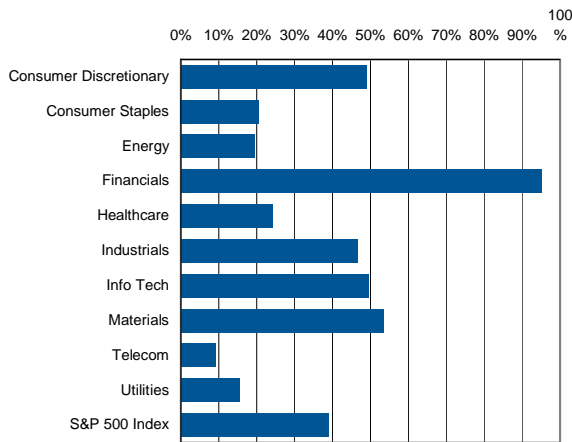
**US 1-Month**



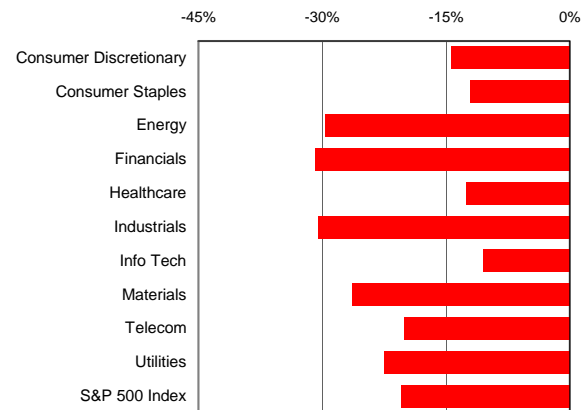
**US 3-Month**



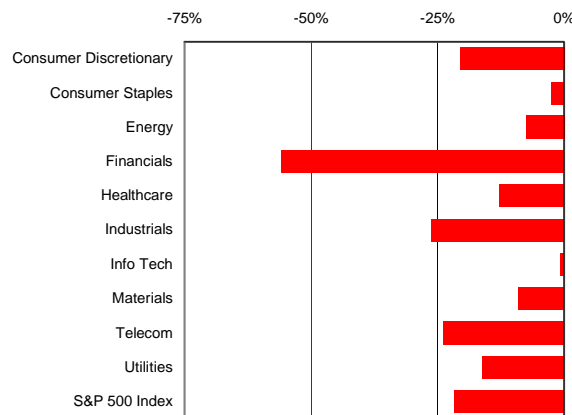
**US 6-Month**



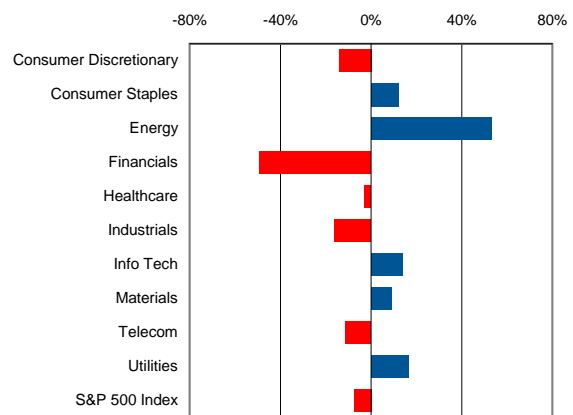
**US 1-Year**



**US 3-Year**



**US 5-Year**



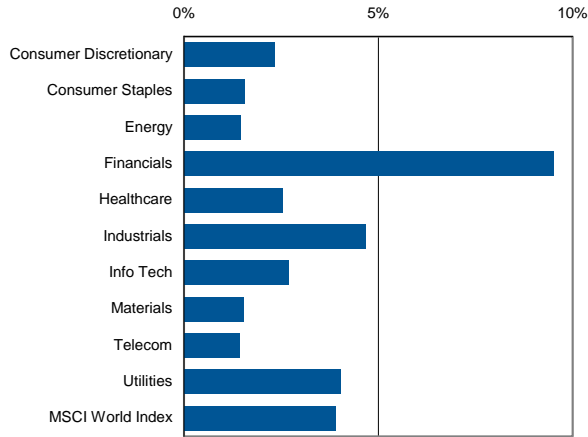
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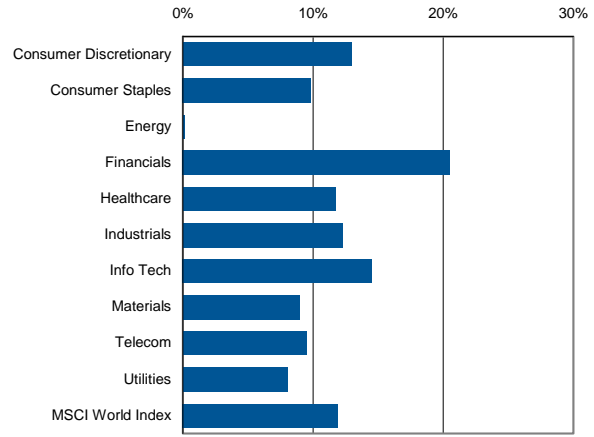
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## World GIC Sector Performance (US\$)

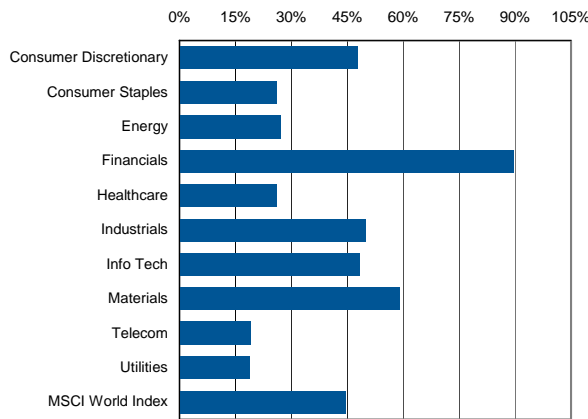
**World 1-Month**



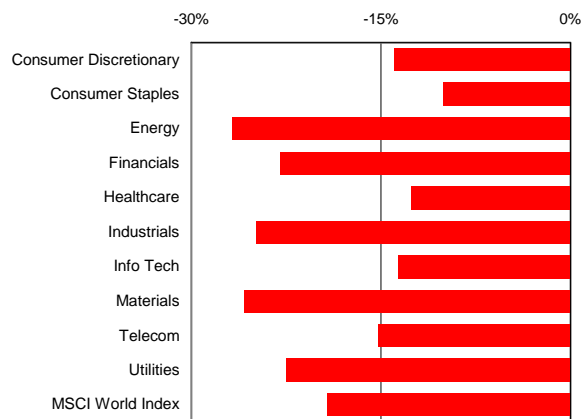
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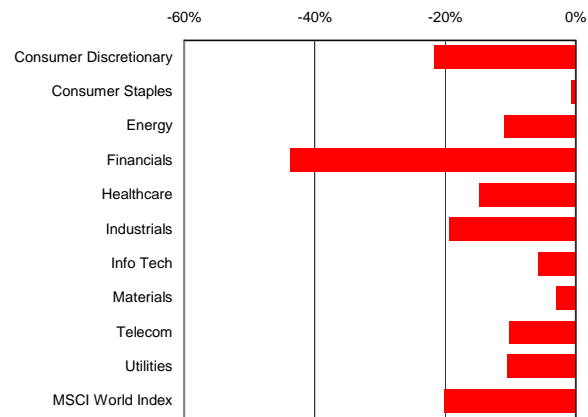
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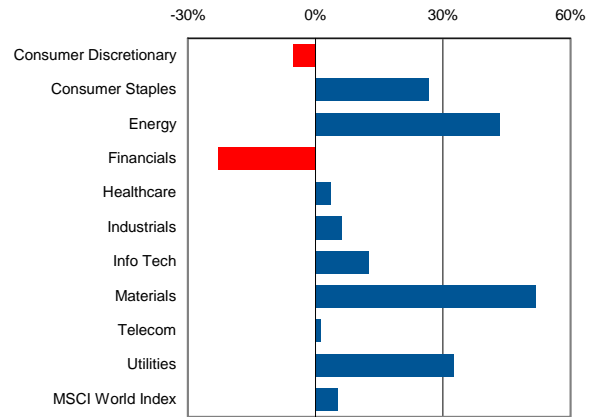
**World 1-Year**



**World 3-Year**



**World 5-Year**



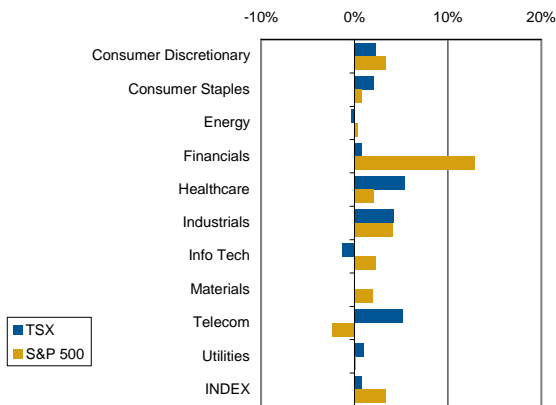
Source: Bloomberg



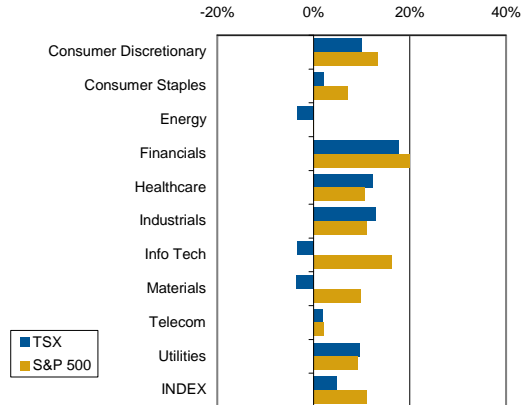
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## Sectoral Performance TSX vs S&P 500

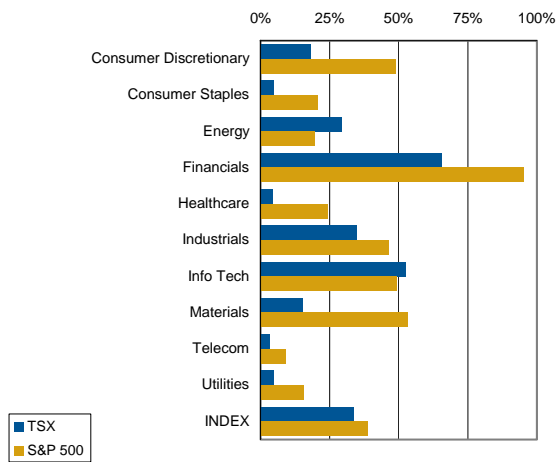
**TSX vs S&P 500 1-Month**



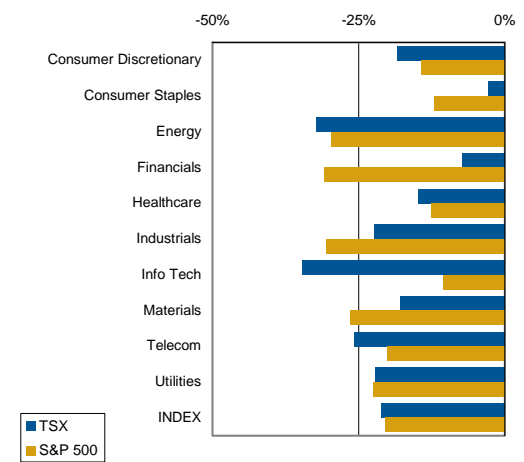
**TSX vs S&P 500 3-Month**



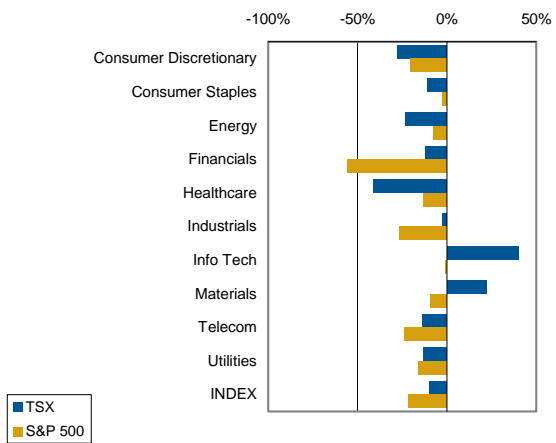
**TSX vs S&P 500 6-Month**



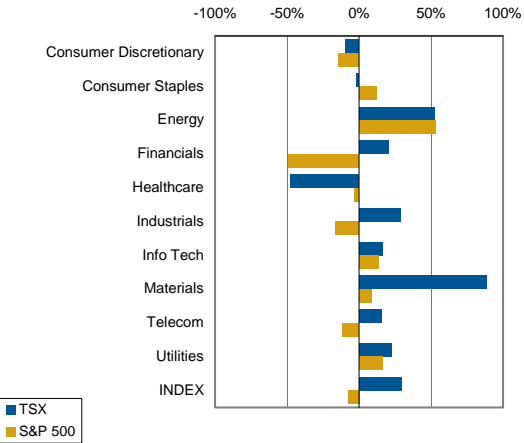
**TSX vs S&P 500 1-Year**



**TSX vs S&P 500 3-Year**



**TSX vs S&P 500 5-Year**



Source: Bloomberg

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