

## Monthly Market Snapshot

July 2010

Isidora Calla / (416) 840-8170  
[icalla@dundeewealth.com](mailto:icalla@dundeewealth.com)

David Munro, MBA / (647) 428-8238  
[dmunro@dundeewealth.com](mailto:dmunro@dundeewealth.com)

- Volatility returned in the second quarter of 2010 and bears overshadowed bulls as some global indices experienced their worst quarter since the rally began in March 2009. The S&P 500 dropped 11.4% over the quarter and the S&P/TSX fared better slipping 5.5% over the quarter.
- Financial regulation in the US remained a hot topic during the second quarter. Early April saw the SEC targeting Wall Street giant Goldman Sachs with accusations involving misstating and omitting facts about collateralized debt obligations tied to 2007 subprime mortgages. As the quarter came to a close, US President Obama was thrilled to see the House finally pass a bill on financial regulation reforms. These reforms that increase bank capital requirements, put new curbs on trading by banks and tougher regulation of derivatives, a trigger in the 2008 Wall Street meltdown.
- Sovereign debt concerns also plagued headlines over the quarter. What initially began as concerns over Greece's fiscal situation developed into a widespread epidemic that led to a joint IMF-EU 110 billion euro bailout. Despite efforts to calm investor anxiety, the euro currency dropped to a four year low against the US dollar and European indices closed the quarter lower for the first time since March 2009. Investors were concerned that European countries with high debt levels and high deficits would need to either default/restructure their debt or impose drastic measures that would plunge the region back into recession.
- Concerns that the slowdown in Asia could bring the global economic recovery to a standstill grew over the quarter with the MSCI Asia Pacific experiencing its worst quarter in over a year, falling 13%. In response to increased pressure from the US, the People's Bank of China decided to end its two year currency peg that was tied to the US dollar and allow a more flexible yuan.
- The ongoing oil spill continues to wreak havoc off the Gulf of Mexico. It took BP nearly two months to contain the spill after countless failed efforts and they are now in the process of drilling two relief wells that are expected to be completed by August. This resulted in a 53% drop in BP share price and has led to BP cancelling its dividend for the next three quarters - caving under pressure from the US government. Despite decreased oil supply as a result of the spill, the price of oil still fell nearly 10% over the quarter due to waning demand from China and the US.
- Gold continued to be the primary beneficiary from the market turmoil as it reached unprecedented highs and advanced nearly 12% over the quarter for its biggest quarterly gain in almost two years. Copper slid over 17% over the quarter as concerns over a slowdown in China and waning demand from US led to lower prices for the commodity.
- Falling commodity prices contributed to a weaker Canadian dollar which fell 4.6% against its American counterpart over the quarter. The month of May saw a slowdown in the Canadian inflation rate and Canadian retail sales showed a decline of 2%, five times greater than consensus estimates. On June 1, the Bank of Canada raised the overnight interest rate by 25 basis points. Going forward, DundeeWealth Economists expect the Bank of Canada to hike interest rates an additional 25 basis points on July 20 on concerns over increased consumer debt. The US Federal Reserve did not change its monetary policy in its latest meeting but Fed Chairman Ben Bernanke indicated that there would be an interest rate hike prior to the US economy reaching full employment.
- The combination of mounting sovereign debt concerns and a slowdown in Chinese economic growth has led to growing concerns over a double dip recession. DundeeWealth's Strategist Martin Roberge, believes this scenario has a low probability of occurring and that economic fears are increasingly priced in. We believe the economy is in long term recovery mode but we expect to see continued volatility through the remainder of 2010. Second quarter earnings results will be released over the next few weeks and we believe the market needs to see more top line growth before it begins rewarding the market.

# Monthly Market Statistics: June 2010

## 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	-3.7%	-5.5%	-2.5%	-2.5%	12.0%	-3.9%	5.5%	-3.7%	-5.5%	-2.5%	-2.5%	12.0%	-3.9%	5.5%
S&P 500	-5.2%	-11.4%	-6.7%	-6.7%	14.4%	-9.8%	-0.8%	-4.2%	-7.4%	-5.2%	-5.2%	4.7%	-9.8%	-3.6%
MSCI EAFE	-2.8%	-10.9%	-7.0%	-7.0%	10.4%	-12.8%	0.3%	0.4%	-9.8%	-11.6%	-11.6%	-2.7%	-12.9%	-1.5%
MSCI World	-11.0%	-3.3%	-0.3%	-6.8%	18.5%	-10.2%	1.0%	-2.1%	-8.5%	-8.2%	-8.2%	1.3%	-10.9%	-2.3%
MSCI Pacific	-3.4%	-13.0%	-7.8%	-7.8%	-0.8%	-16.5%	-1.3%	-0.1%	-7.5%	-4.5%	-4.5%	-2.6%	-9.7%	-0.6%
MSCI Emerging	-0.5%	-5.5%	-4.2%	-4.2%	20.1%	-0.7%	12.9%	0.6%	-4.1%	-4.6%	-4.6%	12.9%	-2.2%	9.8%
TSX Small Cap	-2.7%	-4.6%	0.1%	0.1%	37.8%	-7.2%	2.0%	-2.7%	-4.6%	0.1%	0.1%	37.8%	-7.2%	2.0%
Global Small Cap	-5.2%	-9.3%	-1.3%	-1.3%	21.9%	-10.1%	1.0%	-3.3%	-6.3%	-2.1%	-2.1%	11.0%	-9.3%	-0.9%
Bonds - CDN	1.8%	2.2%	2.7%	4.2%	6.9%	6.9%	4.9%	1.8%	2.2%	2.7%	4.2%	6.9%	6.9%	4.9%
Bonds - 1- 5 yr	1.4%	1.7%	2.2%	2.2%	4.3%	6.3%	4.5%	1.4%	1.7%	2.2%	2.2%	4.3%	6.3%	4.5%

## Total Return Index Returns by Calendar Year

	Local					C\$					Recent Data			
	YTD	2009	2008	2007	2006	YTD	2009	2008	2007	2006	2005	Current	High*	Low*
TSX Composite	-2.5%	35.1%	-33.0%	9.8%	17.3%	-2.5%	35.1%	-33.0%	9.8%	17.3%	24.1%	30229.9	32690.4	25148.9
S&P 500	-6.7%	26.5%	-37.0%	5.5%	15.8%	-5.2%	8.6%	-22.6%	-10.3%	16.1%	1.5%	1715.2	2017.2	1434.5
MSCI EAFE	-7.0%	25.4%	-39.9%	4.0%	16.9%	-11.6%	13.8%	-30.1%	-5.1%	27.2%	10.3%	2231.4	2569.4	1932.5
MSCI World	-6.8%	26.5%	-38.3%	5.2%	16.1%	-8.2%	12.4%	-26.7%	-6.8%	21.0%	6.4%	2537.3	2939.3	2162.6
MSCI Pacific	-7.8%	19.8%	-42.2%	-1.4%	11.6%	-4.5%	6.8%	-21.6%	-10.2%	12.8%	19.0%	1228.2	1442.8	1147.8
MSCI Emerging	-4.2%	62.8%	-45.7%	33.5%	28.9%	-4.6%	53.8%	-42.5%	-10.2%	18.9%	30.1%	72575.8	78844.8	58682.8
TSX Small Cap	0.1%	62.4%	-45.5%	0.9%	11.6%	0.1%	62.4%	-45.5%	0.9%	11.6%	10.6%	724.0	788.9	489.3
Global Small Cap	-1.3%	40.8%	-40.4%	-3.8%	13.6%	-2.1%	24.4%	-28.3%	-14.0%	17.9%	12.3%	166.3	195.6	129.8
Bonds - CDN	4.2%	3.7%	4.1%	6.5%	7.1%	4.2%	3.7%	4.1%	6.5%	7.1%	6.7%	768.3	768.3	716.6
Bonds - 1- 5 yr	2.2%	4.1%	4.0%	2.4%	5.1%	2.2%	4.1%	4.0%	2.4%	5.1%	5.1%	592.2	592.7	567.7

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

## Canadian Average Cash Yields

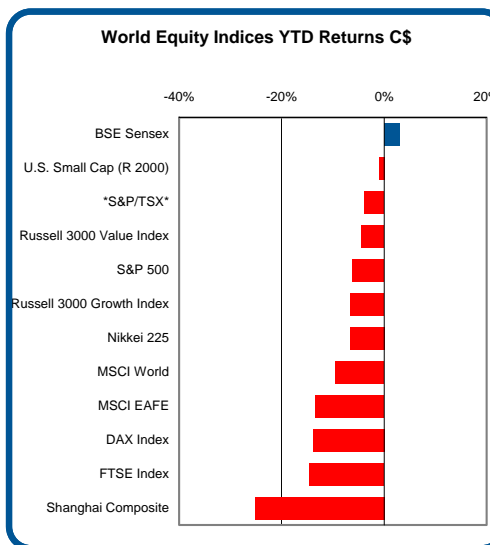
	Actual	1M	3M	6M	1YR	3YR	5YR
1M T-Bill	0.28%	0.28%	0.25%	0.21%	0.18%	1.51%	2.39%
3M T-Bill	0.50%	0.50%	0.46%	0.33%	0.27%	1.59%	2.48%
1YR T-Bill	1.01%	1.09%	1.15%	0.92%	0.74%	1.89%	2.75%

## Currencies

	Actual	1M	3M	6M	1YR	3YR	5YR
C\$/US\$	\$0.94	-1.83%	-4.56%	-1.13%	9.24%	0.13%	15.16%
US\$ Trade wt.	\$86.02	-0.66%	6.10%	10.48%	7.35%	5.00%	-3.45%
Euro/C\$	\$1.30	1.29%	-5.07%	-13.70%	-20.18%	-9.75%	-12.23%
Yen/C\$	\$1.20	5.11%	10.74%	6.28%	-0.27%	39.09%	8.92%

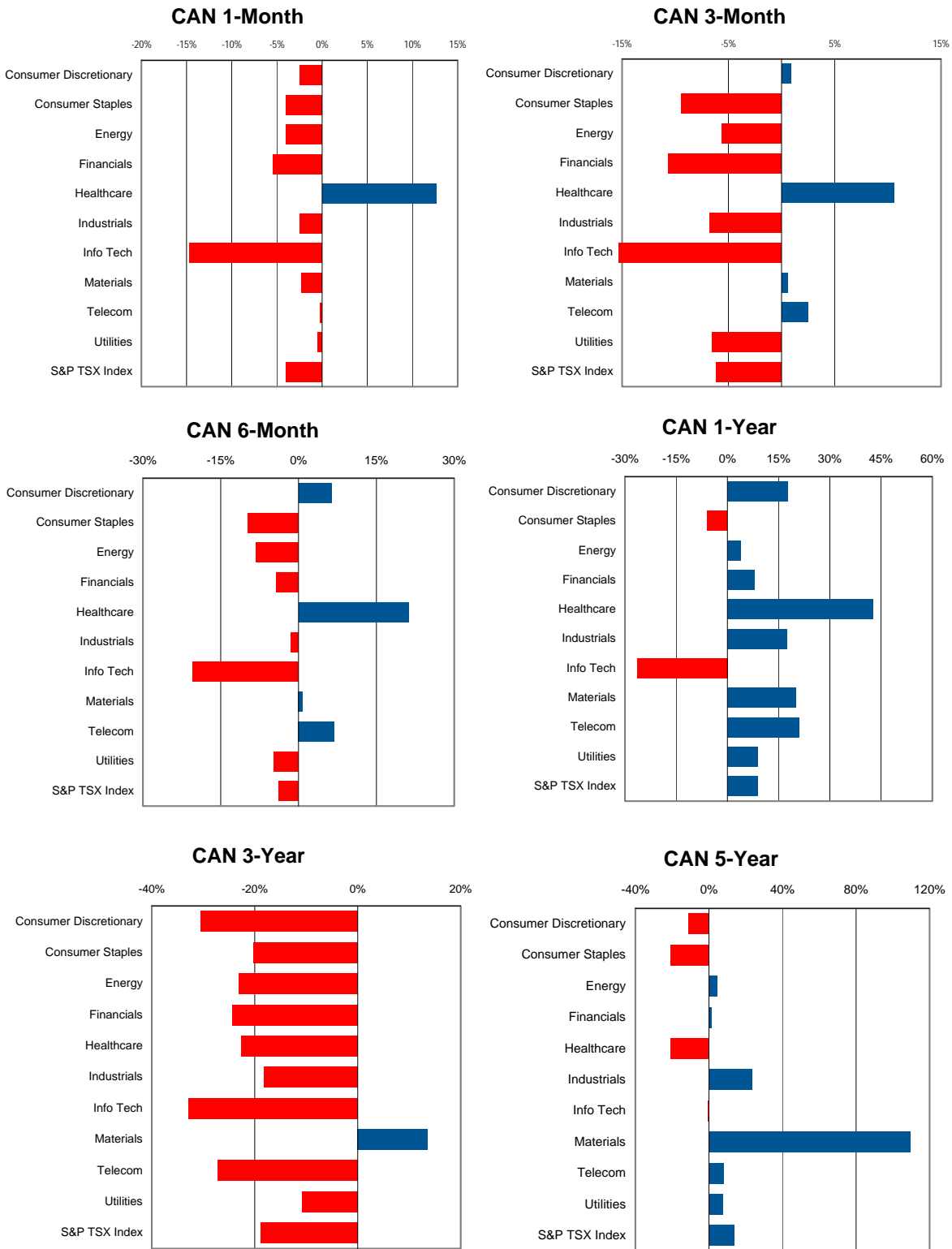
## Commodities

	Actual	1M	3M	6M	1YR	3YR	5YR
Oil	\$75.63	2.2%	-9.7%	-4.7%	8.2%	7.0%	33.9%
Nat Gas	\$4.62	6.3%	19.3%	-17.2%	20.4%	-31.8%	-33.9%
Gold	\$1,245.7	2.8%	11.9%	13.6%	34.4%	91.2%	184.9%
Copper	\$293.6	-5.2%	-17.2%	-11.8%	30.0%	-15.0%	89.0%



Source: Bloomberg, iShares.ca

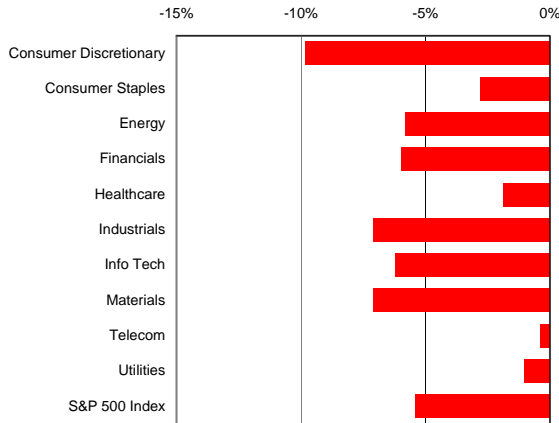
## Canadian GIC Sector Performance (C\$)



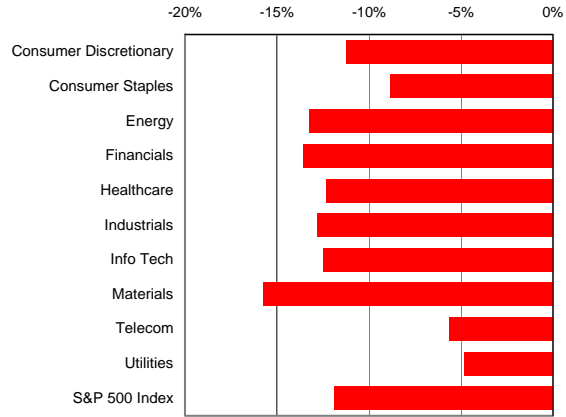
Source: Bloomberg

## US GIC Sector Performance (US\$)

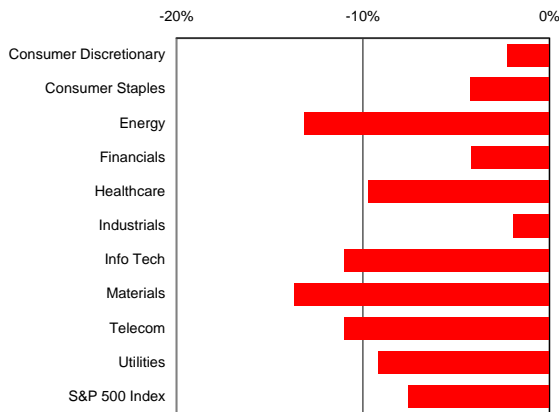
**US 1-Month**



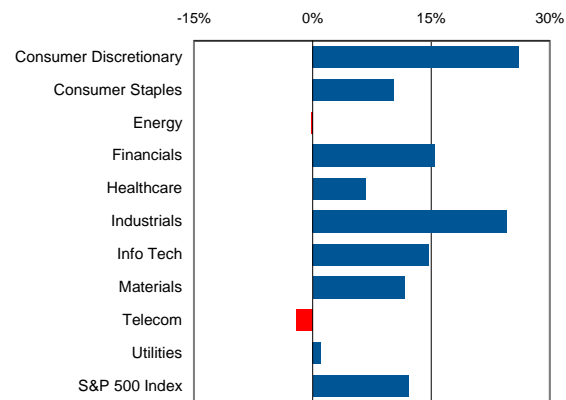
**US 3-Month**



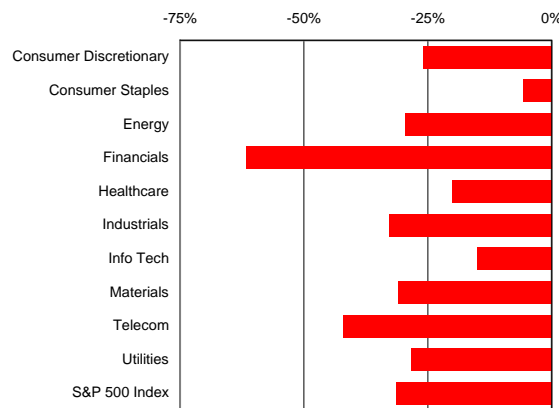
**US 6-Month**



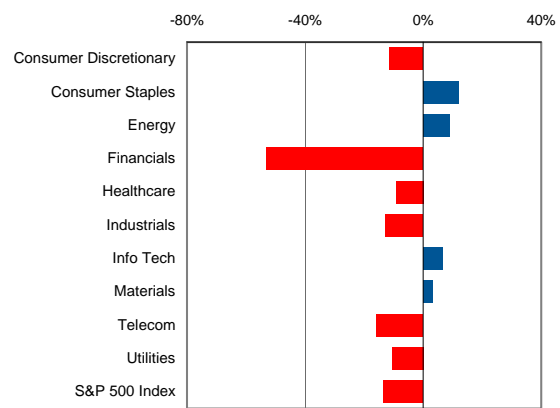
**US 1-Year**



**US 3-Year**



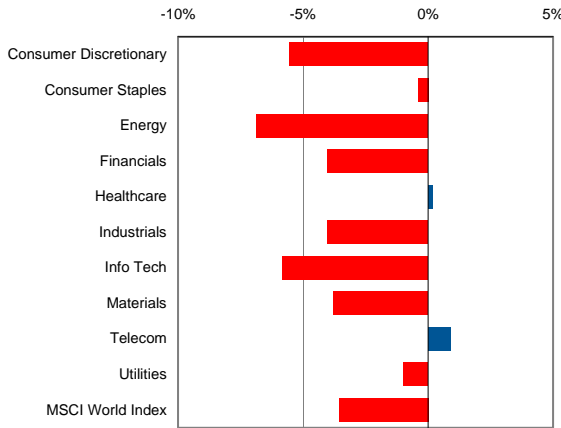
**US 5-Year**



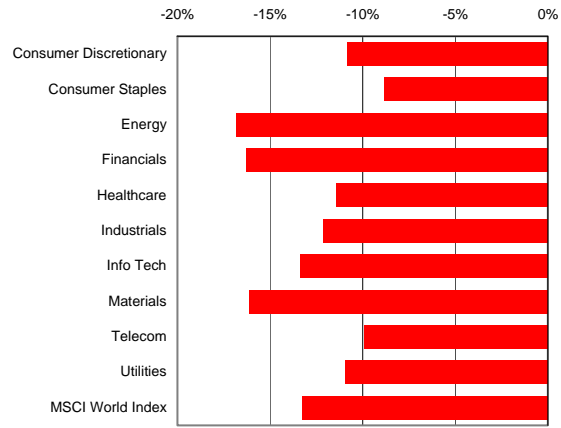
Source: Bloomberg

## World GIC Sector Performance (US\$)

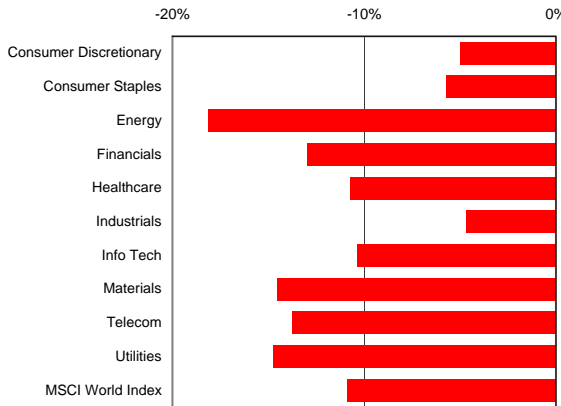
**World 1-Month**



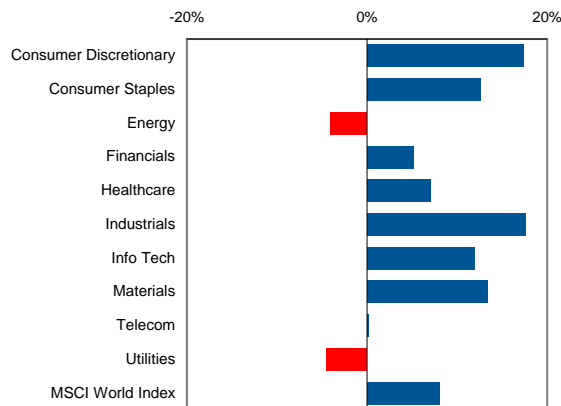
**World 3-Month**



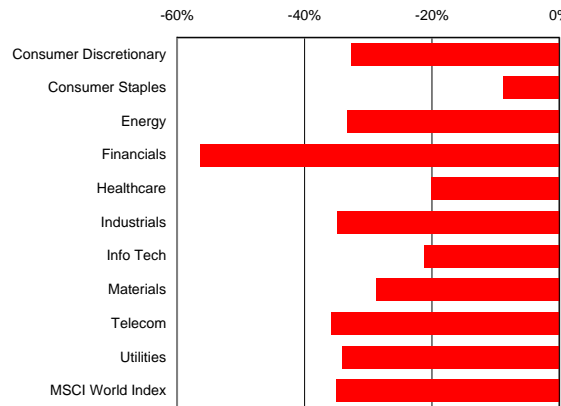
**World 6-Month**



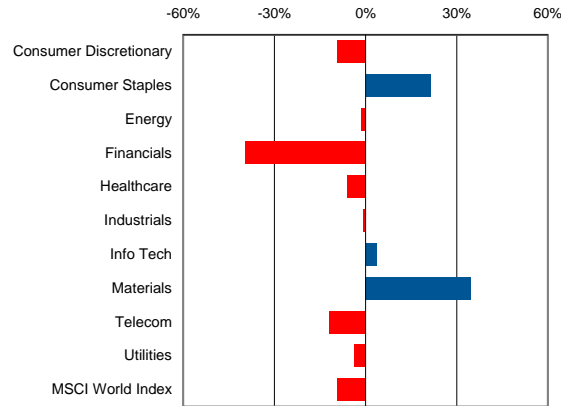
**World 1-Year**



**World 3-Year**



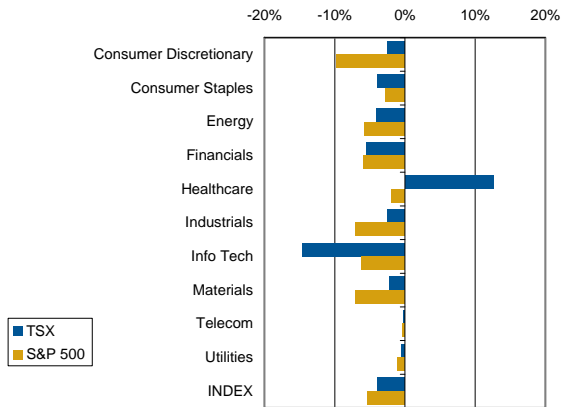
**World 5-Year**



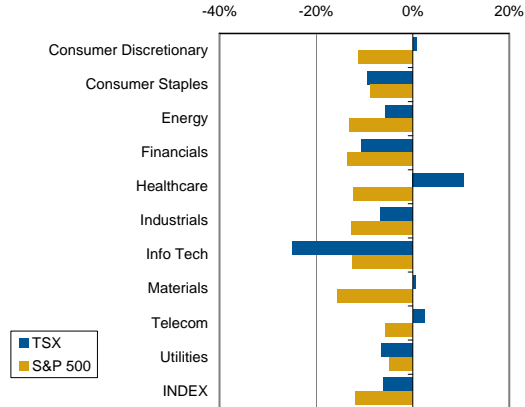
Source: Bloomberg

## Sectoral Performance TSX vs S&P 500

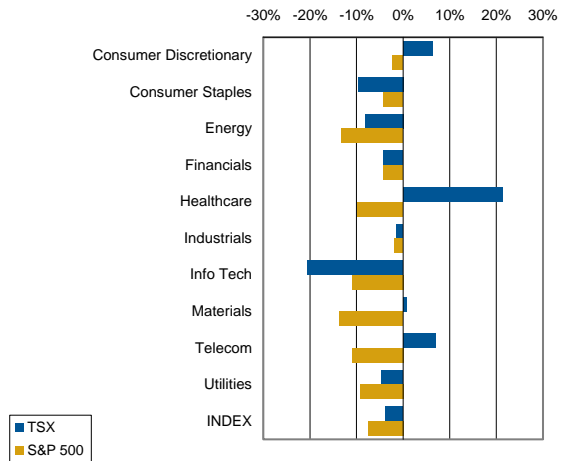
**TSX vs S&P 500 1-Month**



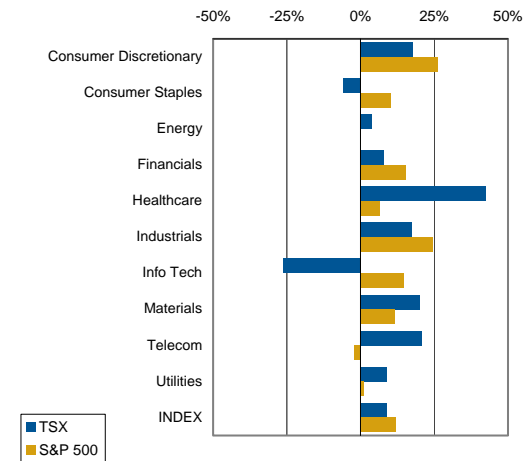
**TSX vs S&P 500 3-Month**



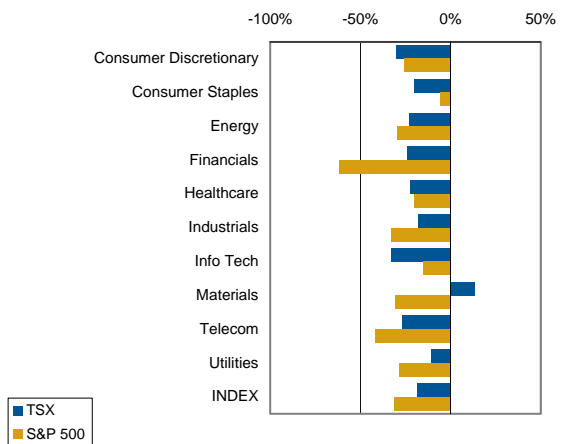
**TSX vs S&P 500 6-Month**



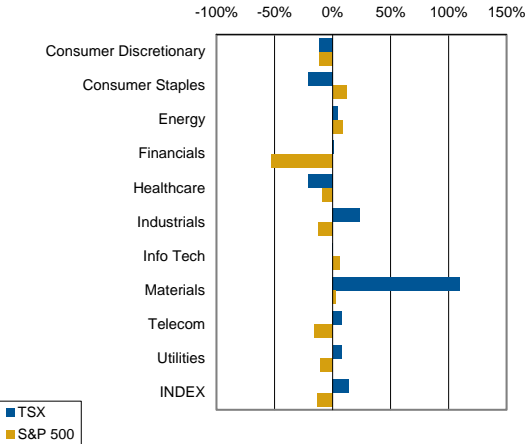
**TSX vs S&P 500 1-Year**



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



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



Source: Bloomberg

## Disclosures & Disclaimers

Dundee Securities Corporation is an affiliate of Dundee Corporation, DundeeWealth Inc., and Goldman & Company, Investment Counsel Ltd.

Research Analyst Certification: Each Research Analyst involved in the preparation of this Research Report hereby certifies that: (1) the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this Research Report; and (2) his/her compensation is not and will not be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst in this Research Report.

U.S. Residents: Dundee Securities Inc. is a U.S. registered broker-dealer and an affiliate of Dundee Securities Corporation. Dundee Securities Inc. accepts responsibility for the contents of this Research Report, subject to the terms and limitations as set out above. U.S. residents seeking to effect a transaction in any security discussed herein should contact Dundee Securities Inc. directly.

This Research Report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. The information contained in this Research Report is prepared from sources believed to be reliable but Dundee Securities Corporation makes no representations or warranties with respect to the accuracy, correctness or completeness of such information. Dundee Securities Corporation also makes no representations or warranties in respect of past or future performance of any securities discussed in this Research Report and past performance of such securities may not be repeated. Dundee Securities Corporation accepts no liability whatsoever for any loss arising from any use or reliance on this Research Report or the information contained herein. Any reproduction in whole or in part of this Research Report without permission is prohibited.

Dundee Securities Research is distributed by email, website or hard copy. Dissemination of initial reports and any subsequent reports is made simultaneously to a pre-determined list of Dundee Securities' Institutional Sales and Trading representative clients and Retail Private Client offices. The policy of Dundee Securities with respect to Research reports is available on the Internet at [www.dundeewealth.com](http://www.dundeewealth.com).

The compensation of each Research Analyst/Associate involved in the preparation of this Research Report is based upon, among other things, the overall profitability of Dundee Securities Corporation, which includes the overall profitability of the Investment Banking Department.

© Dundee Securities Corporation