Monthly Market Snapshot

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- Equity markets to date have had a tough second quarter and the decline in markets over the last month can largely be attributed to the worsening fiscal crisis in Europe, a slowdown in emerging market economies and uncertainty with regard to the measures that will be taken by policy makers to revive global economic growth. The S&P/TSX Composite Index and the S&P 500 Index both dropped by approximately 6 percent last month. The MSCI World and MSCI Emerging Market Index both fared a little worse, dropping by 6.7 percent in May. Despite the dim outlook, economists and analysts at large believe that there are still attractive buying opportunities and in the long term they retain a positive outlook for the markets as a whole.
- There was no change to the overnight lending rate in Canada last month as the Bank of Canada kept interest rates at an all-time low of one percent. Governor Mark Carney continued to strike a balance between maintaining current rates to protect the economy from Europe's fiscal crisis versus increasing rates due to concerns over rising household debt levels. Turning to the housing market, the head of Royal Bank, Gordon Nixon, stated that the housing market is not in a bubble, countering the beliefs of many economists as he feels that even though there may be "pockets of vulnerability," the economy remains to be "comfortable" overall. In the U.S., economic data came in below expectations last month as American employers added the smallest number of workers in May and the unemployment rate unexpectedly increased from 8.1 to 8.2 percent, adding to speculation that the U.S. labour market may be stalling.
- The European fiscal crisis took a turn for the worse last month leading finance ministers from the G-7 nations held an emergency meeting ahead of their June 18th summit to make another attempt to hatch out a plan to tackle the region's fiscal crisis. Policy makers reassured investors that euro-area governments will make more of an attempt to work together and help Greece and Spain with their rising debt levels. German Chancellor Angela Merkel may be open to letting the ECB play a more active role in protecting the European financial system, which the markets may see as a positive sign, especially after ECB Governing Council members last month announced that the central bank was not going to restart its bond purchase program. The continued high unemployment rates coupled with high borrowing costs in Spain sent investors scurrying from equity markets. In Greece, European governments alluded at giving the country extra time to meet its budget-cut targets as long as Greek politicians put together a ruling coalition committed to austerity. Investors however are weary of the possibility that Greece may be forced to leave the EU within the next 18 months. With Greece and Spain in the doldrums, the uncertainty continued to trickle into equity markets, keeping investors even more on edge with regard to global recovery prospects.
- Commodity prices dropped in May, including oil prices which fell to US$86 per barrel and provided some relief to the markets. One of the main reasons of the decline in oil prices was slowing economic growth which led to faltering demand for crude, especially from emerging market economies. The impact of lower demand is also causing the price of base metals to drop; copper prices fell by a staggering 12 percent in May. Amongst the agricultural commodities, corn prices have been on the rise as dry weather in the U.S. reduced supply.
- Facebook Inc. successfully completed its record IPO last month that made the social network company more expensive than the majority of the companies listed on the S&P 500 Index. Facebook sold 421 million shares at US$38 per share in order to raise US$16 billion. The company which was at the time of listing valued at approximately US$104 billion faced a rocky start in the market as the stock dropped 11 percent within the first few days of trading and analysts' speculated whether there will be any scope for the social media company to generate revenues in the future. In other M&A deals, Warren Buffett's Berkshire Hathaway Inc. purchased newspapers owned by Media General Inc. as it seeks to expand its media holdings. The target was acquired for US$142 million in a cash offer. Lastly, Dell Inc. is in discussions to acquire Quest Software Inc., a company that specializes in helping companies manage their databases and Dell is hoping that through this acquisition it can focus its attention on business customers and thus reduce its reliance on the sale of PC's.
- Going forward, economists at DundeeWealth have noted that it may become increasingly likely that Greece will leave the European Union. Moreover, at the next EU summit, even though there is less chance of Germany agreeing to a banking union of any kind, we may see looser austerity rules and more aggressive economic growth strategies being laid out. With respect to equities, Economists are cautious on equity markets in the short term, however they believe equities may be attractive relative to other assets in the long run as current economic challenges may be overcome if policy makers around the world take additional measures to stimulate growth.

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Monthly Market Statistics: May 2012

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	-6.1%	-8.2%	-4.3%	-2.6%	-14.2%	6.4%	-1.1%	-6.1%	-8.2%	-4.3%	-2.6%	-14.2%	6.4%	-1.1%
S&P 500	-6.0%	-3.5%	6.2%	5.2%	-0.4%	14.9%	-0.9%	-1.7%	1.0%	7.7%	6.9%	6.2%	12.8%	-1.6%
MSCI EAFE	-7.4%	-9.4%	0.0%	-0.5%	-13.7%	3.0%	-8.0%	-7.3%	-9.3%	-3.0%	-1.9%	-14.8%	2.0%	-7.5%
MSCI World	-6.7%	-6.4%	3.0%	2.4%	-7.2%	9.0%	-4.2%	-4.3%	-4.0%	2.5%	2.7%	-4.5%	7.6%	-4.2%
MSCI Pacific	-9.3%	-10.7%	1.0%	1.2%	-12.6%	-1.5%	-11.3%	-5.9%	-7.4%	0.3%	0.3%	-7.0%	2.7%	-5.5%
MSCI Emerging	-6.7%	-8.5%	2.8%	2.8%	-10.0%	8.4%	2.0%	-7.1%	-11.1%	0.4%	1.8%	-14.7%	6.2%	-0.3%
TSX Small Cap	-7.7%	-15.5%	-7.9%	-5.9%	-22.6%	13.2%	-3.5%	-7.7%	-15.5%	-7.9%	-5.9%	-22.6%	13.2%	-3.5%
Global Small Cap	-7.4%	-7.0%	3.6%	4.0%	-10.6%	14.0%	-2.9%	-4.7%	-4.3%	3.5%	4.5%	-7.4%	12.7%	-2.5%
Bonds - CDN	2.1%	1.9%	3.7%	2.0%	9.6%	7.5%	6.9%	2.1%	1.9%	3.7%	2.0%	9.6%	7.5%	6.9%
Bonds - 1-5 yr	0.9%	0.7%	1.3%	0.8%	3.9%	3.8%	5.2%	0.9%	0.7%	1.3%	0.8%	3.9%	3.8%	5.2%

Total Return Index Returns by Calendar Year

	Local					C$						Recent Data		
	YTD	2011	2010	2009	2008	YTD	2011	2010	2009	2008	2007	Current	High*	Low*
TSX Composite	-2.6%	-8.7%	17.6%	35.1%	-33.0%	-2.6%	-8.7%	17.6%	35.1%	-33.0%	9.8%	32435.7	37114.1	30928.6
S&P 500	5.2%	2.1%	15.1%	26.5%	-37.0%	6.9%	4.4%	8.3%	9.7%	-22.6%	-10.3%	2270.3	2449.1	1876.0
MSCI EAFE	-0.5%	-11.7%	5.3%	25.4%	-39.9%	-1.9%	-9.8%	1.9%	14.9%	-30.1%	-5.1%	2217.8	2568.6	2060.0
MSCI World	2.4%	-5.0%	10.6%	26.5%	-38.3%	2.7%	-2.9%	5.8%	13.5%	-26.7%	-6.8%	2928.5	3216.3	2586.7
MSCI Pacific	1.2%	-16.5%	2.2%	19.8%	-42.2%	0.3%	-11.7%	9.3%	7.9%	-21.6%	-10.2%	1151.7	1343.5	1105.7
MSCI Emerging	2.8%	-12.5%	14.4%	62.8%	-45.7%	1.8%	-16.3%	12.2%	55.3%	-42.5%	18.9%	77973.4	86423.6	68883.8
TSX Small Cap	-5.9%	-16.4%	35.1%	62.4%	-45.5%	-5.9%	-16.4%	35.1%	62.4%	-45.5%	0.9%	768.9	975.8	726.1
Global Small Cap	4.0%	-8.7%	24.4%	40.8%	-40.4%	4.5%	-6.7%	19.2%	25.6%	-28.3%	-14.0%	199.1	224.0	170.4
Bonds - CDN	2.0%	9.7%	6.7%	5.4%	6.4%	2.0%	9.7%	6.7%	5.4%	6.4%	3.7%	880.4	880.4	803.6
Bonds - 1-5 yr	0.8%	4.7%	3.6%	4.5%	8.6%	0.8%	4.7%	3.6%	4.5%	8.6%	4.1%	633.2	633.2	609.6

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

Canadian Average Cash Yields

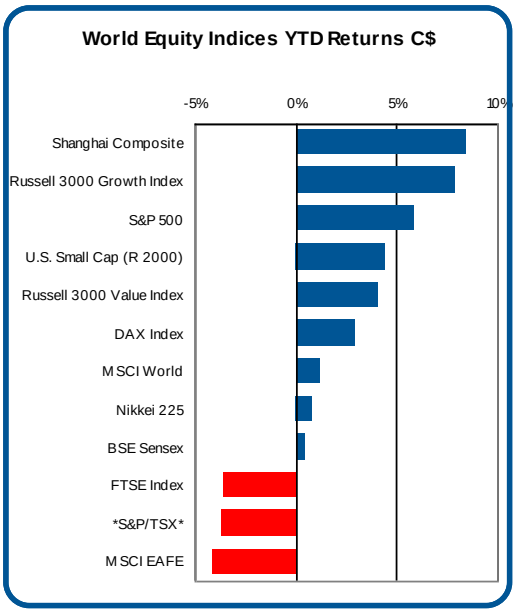
	Actual	1M	3M	6M	1YR	3YR	5YR
1M T-Bill	0.91%	0.94%	0.93%	0.88%	0.87%	0.61%	1.30%
3M T-Bill	0.93%	0.99%	0.96%	0.92%	0.90%	0.67%	1.37%
1YR T-Bill	1.03%	1.15%	1.13%	1.06%	1.04%	1.00%	1.66%

Currencies

	Actual	1M	3M	6M	1YR	3YR	5YR
C$/US$	$0.97	-4.42%	-4.16%	-1.48%	-6.22%	5.57%	3.50%
US$ Trade wt.	$83.04	5.42%	5.47%	5.94%	11.26%	4.66%	0.90%
Euro/C$	$1.28	-2.29%	-3.18%	-6.65%	-8.41%	-17.26%	-11.17%
Yen/C$	$0.01	6.45%	8.20%	0.76%	10.92%	15.79%	50.00%

Commodities

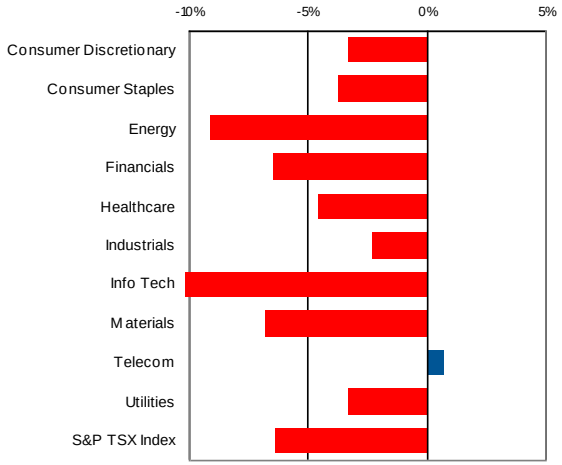
	Actual	1M	3M	6M	1YR	3YR	5YR
Oil	$86.53	-17.5%	-19.2%	-13.8%	-15.7%	30.5%	35.2%
Nat Gas	$2.42	6.0%	-7.4%	-31.8%	-48.1%	-36.8%	-69.5%
Gold	$1,561.5	-6.2%	-8.8%	-10.5%	1.7%	59.4%	136.2%
Copper	$336.6	-12.2%	-13.0%	-5.5%	-19.4%	53.2%	-0.9%



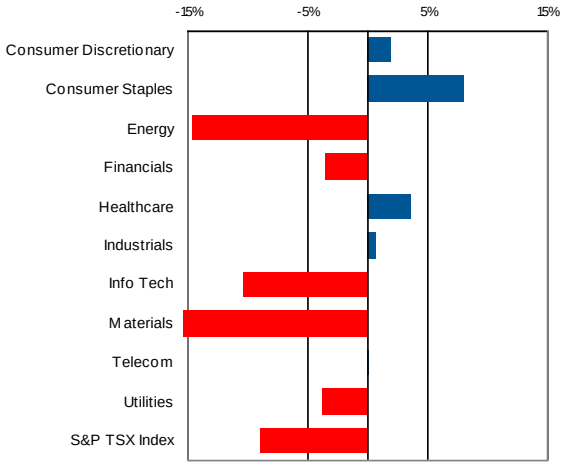
Source: Bloomberg, iShares.ca

Canadian GIC Sector Performance (C$)

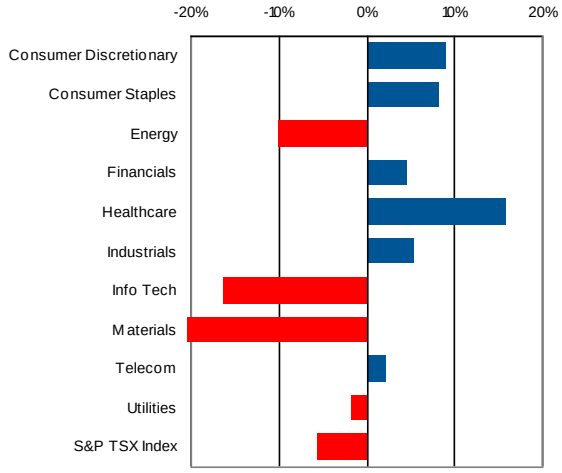
CAN 1-Month



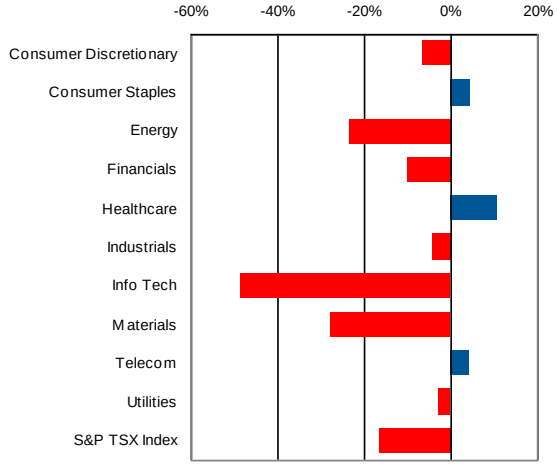
CAN 3-Month



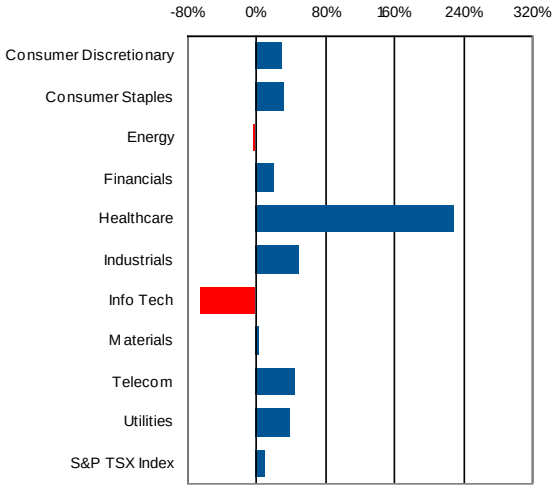
CAN 6-Month



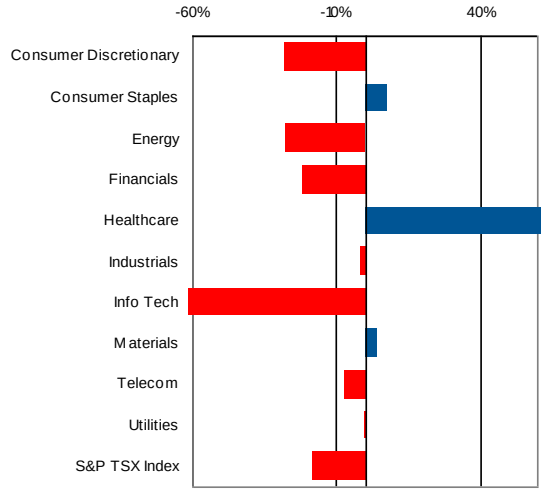
CAN 1-Year



CAN 3-Year



CAN 5-Year



Source: Bloomberg

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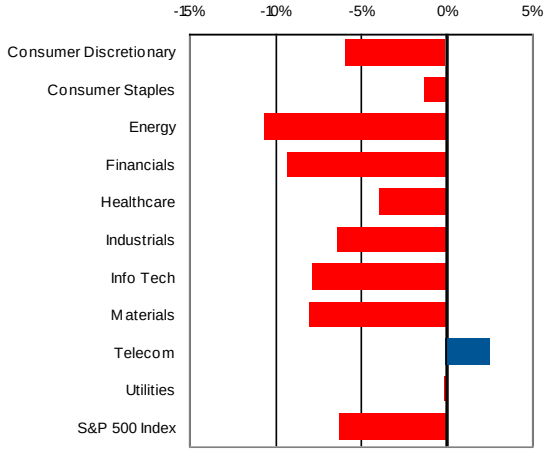
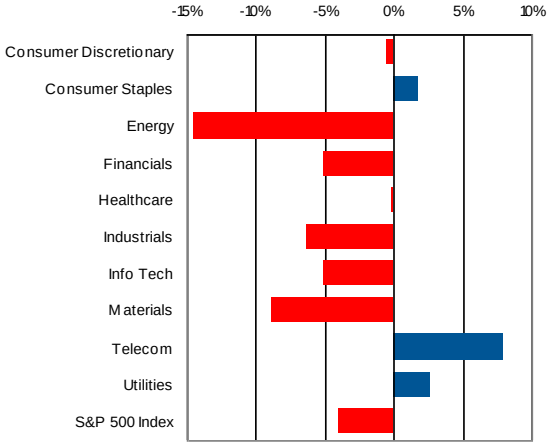
US GIC Sector Performance (US$)

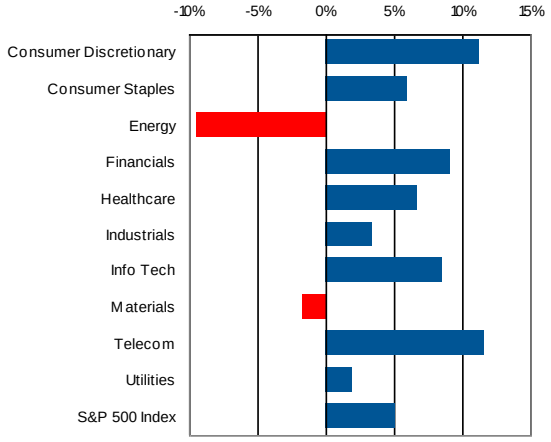
US 1-Month



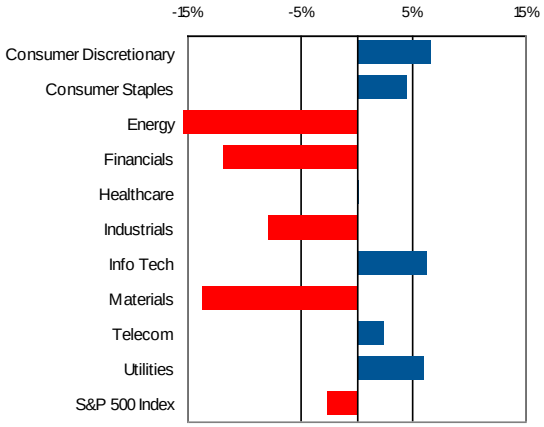
US 3-Month



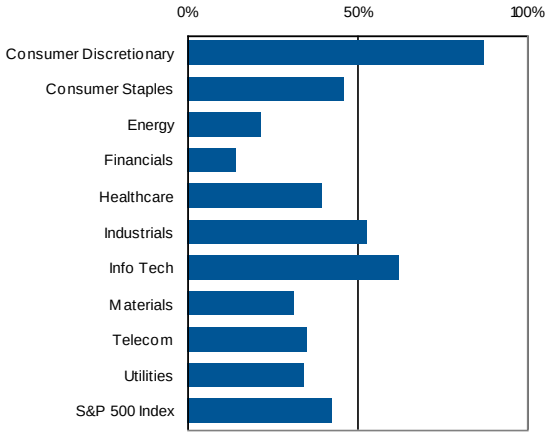
US 6-Month



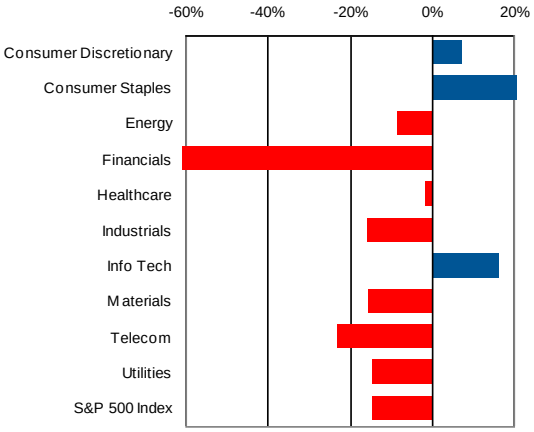
US 1-Year



US 3-Year



US 5-Year



Source: Bloomberg

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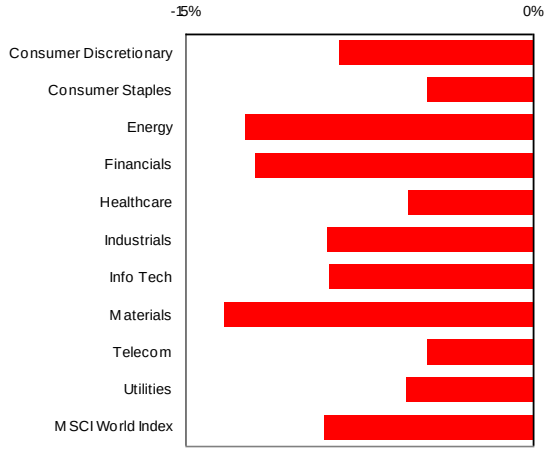
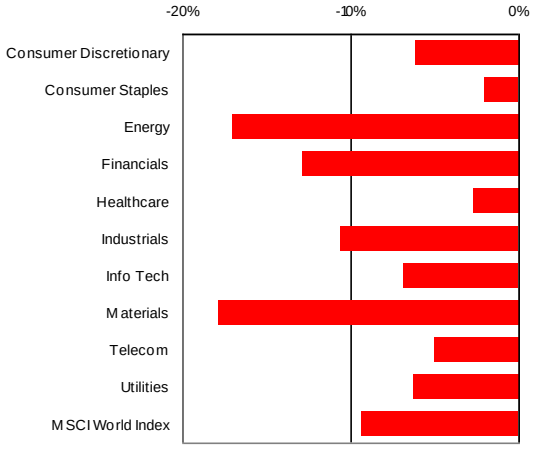
World GIC Sector Performance (US$)

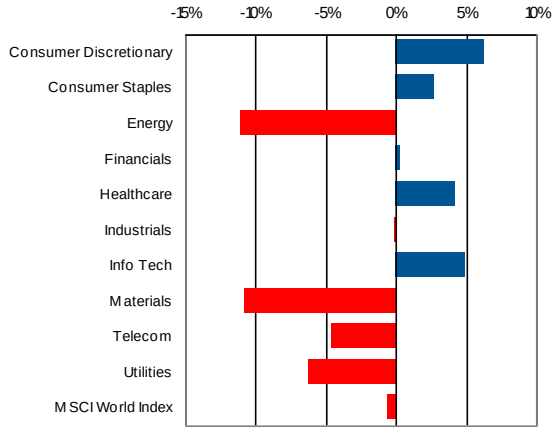
World 1-Month



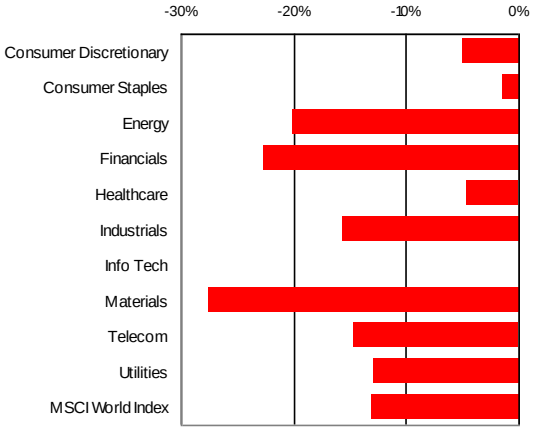
World 3-Month



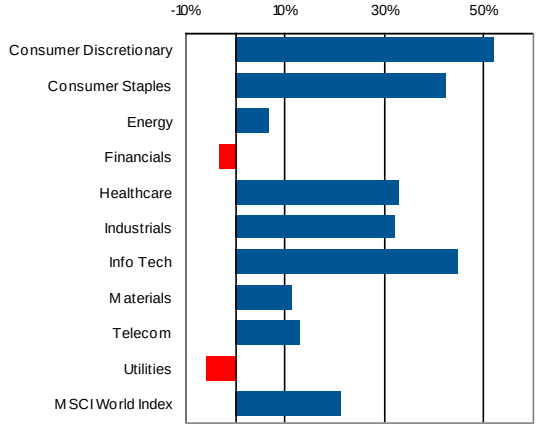
World 6-Month



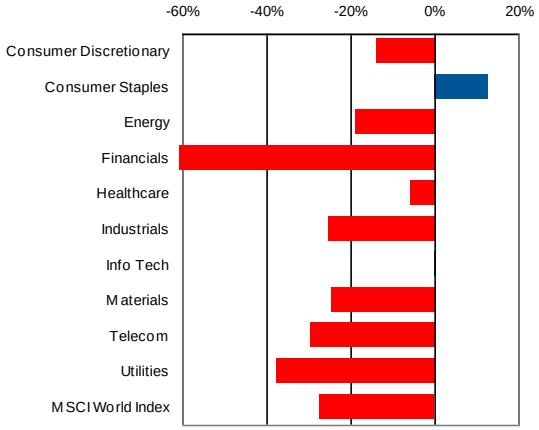
World 1-Year



World 3-Year



World 5-Year



Source: Bloomberg

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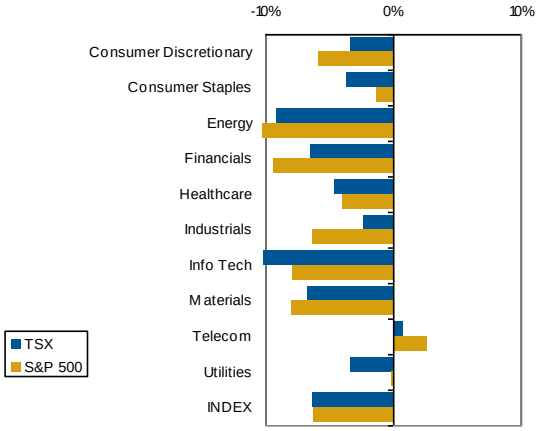
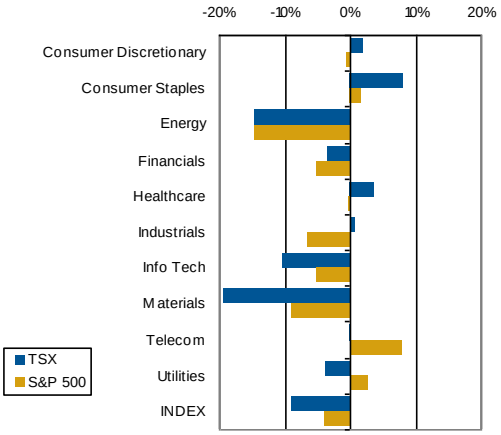
Sectoral Performance TSX vs S&P 500

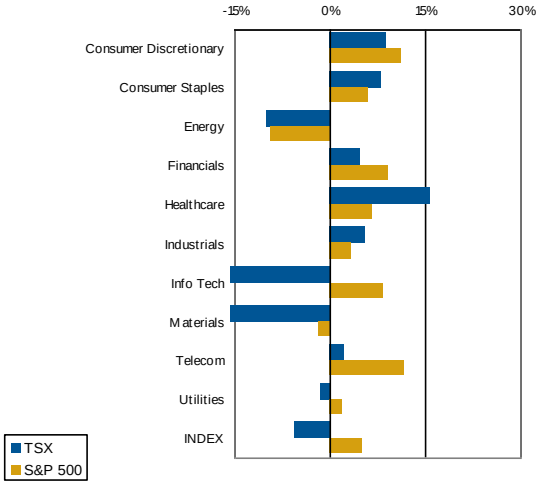
TSX vs S&P 500 1-Month



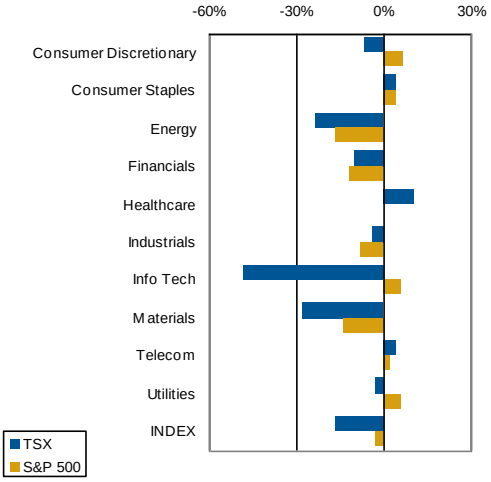
TSX vs S&P 500 3-Month



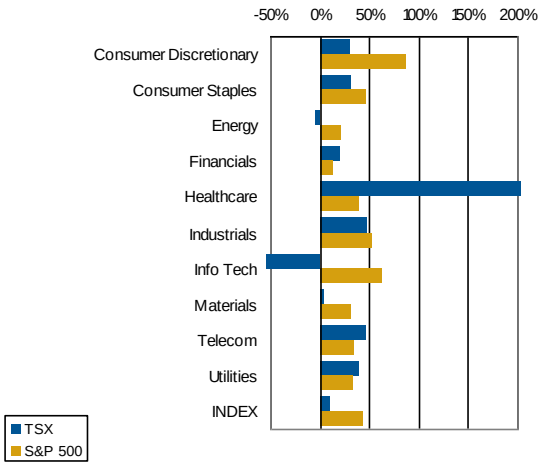
TSX vs S&P 500 6-Month



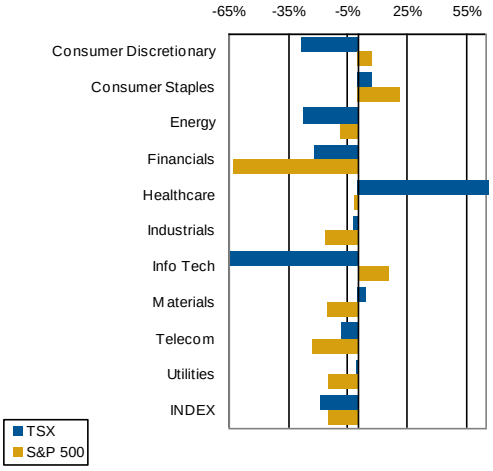
TSX vs S&P 500 1-Year



TSX vs S&P 500 3-Year



TSX vs S&P 500 5-Year



Source: Bloomberg

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