

Monthly Market Snapshot

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As the multi-week rally that equity markets had been enjoying extended into May, investors wondered whether “sell in May, and go away” could be a good strategy. After all, the market rally from the low of March 9th was quite strong, with an interim peak being made on May 9th with the S&P 500 Index rallying 37% in two months.

The markets moved swiftly past the hurdle of the US government’s bank stress tests, after which several financial institutions finally allowed investors to move forward with greater comfort that the financial sector would survive. However, by mid-month investors began to weigh the possibility that the global economy might take longer-than-expected to recover. With consumer spending accounting for over two thirds of US GDP, the release of worse-than-expected US retail sales data for April raised doubts about a quick near-term economic recovery. So after reaching the highest valuation levels in months, equity prices began to retreat as realities of a prolonged recession settled in.

Better-than-expected consumer confidence and manufacturing figures overshadowed concerns over the possible downgrade of the USA’s AAA credit rating, the impending bankruptcy of GM, and concerns that valuations were over-extended after the most recent rally. The markets fluctuated between gains and losses for the remainder of the month as investors reacted to a mix of positive and negative economic and corporate earnings reports. Despite the daily volatility, the S&P 500 closed up 5.6%, while the S&P/TSX closed up 11.5% for the month.

The S&P TSX had a great month, as commodities shone brightly throughout the month. Crude oil reached its highest level in 6-months as declining

inventories along with an improved demand outlook for resources driven by Chinese demand sent the WTI crude oil price to above US\$66.31/bbl and its strength continued heading into June. The Canadian dollar (CAD) was the direct beneficiary of rising oil prices as it has rapidly appreciated from C\$/US\$ 0.84 at the beginning of May up to C\$/US\$ 0.92 vs. the USD by the close of the month. Other commodities performed quite well for the month as the CRB index gained 13.79% for the month. The Canadian market outpaced the US market for the month largely because of large constituency of energy and metals/mining companies in the index.

Even with May tapering off at the close, many indicators of equity market volatility continued to subside, suggesting that investors are becoming less risk averse and more risk tolerant. The VIX closed for a few days below the 30 level, the lowest point since before the Lehman Brothers collapse in September of 2008, while the TED Spread fell to levels not seen since the credit and financial crisis first struck in the summer of 2007. Both investment grade and high yield corporate credit spreads also improved markedly, tightening significantly.

With respect to the recent equity market rally, we believe that this rally still has legs, irrespective of the pull back seen at the end of the month, and we feel that valuations are not necessarily out of line. In the last week of May, the S&P 500 Index was trading at a 14.5x trailing P/E, while the average over the past 45 years is closer to 17x. Therefore, this is not an expensive market in historical terms, but its future could heavily depend on how corporate earnings fair going forward and how quick the US consumer bounces back.

Monthly Market Statistics: May 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	11.5%	28.9%	14.1%	17.2%	-27.0%	-1.3%	6.9%	11.5%	28.9%	14.1%	17.2%	-27.0%	-1.3%	6.9%
S&P 500	5.6%	25.8%	4.1%	3.0%	-32.6%	-8.2%	-1.9%	-3.6%	8.5%	-8.4%	-7.6%	-26.0%	-8.5%	-6.2%
MSCI EAFE	5.4%	22.2%	7.2%	5.9%	-31.5%	-9.0%	1.7%	2.2%	16.1%	1.8%	-2.2%	-30.0%	-7.6%	-1.1%
MSCI World	5.7%	24.3%	6.4%	5.2%	-31.9%	-8.2%	0.1%	-0.3%	12.8%	-2.5%	-3.8%	-28.0%	-7.6%	-3.3%
MSCI Pacific	7.0%	21.6%	11.0%	8.5%	-33.3%	-11.6%	0.3%	1.6%	11.8%	1.8%	-3.5%	-24.3%	-8.2%	-1.6%
MSCI Emerging	12.5%	39.5%	37.7%	31.6%	-26.6%	4.9%	14.4%	6.9%	34.8%	31.1%	23.9%	-27.7%	3.3%	10.5%
TSX Small Cap	12.5%	28.1%	26.7%	19.0%	-35.7%	-12.4%	-3.3%	12.5%	28.1%	26.7%	19.0%	-35.7%	-12.4%	-3.3%
Global Small Cap	5.9%	31.7%	17.0%	12.2%	-31.2%	-11.2%	0.5%	-0.7%	18.4%	6.2%	2.0%	-26.6%	-10.3%	-2.7%
Bonds - CDN	-0.1%	2.4%	6.9%	1.4%	5.5%	5.6%	5.6%	-0.1%	2.4%	6.9%	1.4%	5.5%	5.6%	5.6%
Bonds - 1- 5 yr	-0.3%	1.4%	3.7%	2.0%	7.4%	6.0%	4.9%	-0.3%	1.4%	3.7%	2.0%	7.4%	6.0%	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	17.2%	-33.0%	9.8%	17.3%	24.1%	17.2%	-33.0%	9.8%	17.3%	24.1%	14.5%	26909.4	37791.0	19470.0
S&P 500	3.0%	-37.0%	5.5%	15.8%	4.9%	-7.6%	-22.6%	-10.3%	16.1%	1.5%	2.8%	1496.0	2159.0	1095.0
MSCI EAFE	5.9%	-39.9%	4.0%	16.9%	29.5%	-2.2%	-30.1%	-5.1%	27.2%	10.3%	11.9%	2027.2	2876.6	1535.2
MSCI World	5.2%	-38.3%	5.2%	16.1%	16.3%	-3.8%	-26.7%	-6.8%	21.0%	6.4%	6.8%	2263.8	3242.3	1683.1
MSCI Pacific	8.5%	-42.2%	-1.4%	11.6%	38.1%	-3.5%	-21.6%	-10.2%	12.8%	19.0%	10.6%	1206.5	1794.7	922.2
MSCI Emerging	31.6%	-45.7%	33.5%	28.9%	35.8%	23.9%	-42.5%	18.9%	32.9%	30.1%	16.7%	61231.3	80825.2	38425.4
TSX Small Cap	19.0%	-45.5%	0.9%	11.6%	10.6%	19.0%	-45.5%	0.9%	11.6%	10.6%	6.5%	530.4	835.5	367.4
Global Small Cap	12.2%	-40.4%	-3.8%	13.6%	23.3%	2.0%	-28.3%	-14.0%	17.9%	12.3%	15.6%	134.4	191.4	93.2
Bonds - CDN	1.4%	3.7%	4.1%	6.5%	7.1%	1.4%	3.7%	4.1%	6.5%	7.1%	6.7%	709.2	713.6	663.5
Bonds - 1- 5 yr	2.0%	4.1%	4.0%	2.4%	5.1%	2.0%	4.1%	4.0%	2.4%	5.1%	5.1%	565.4	568.0	522.5

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

Canadian Average Cash Yields

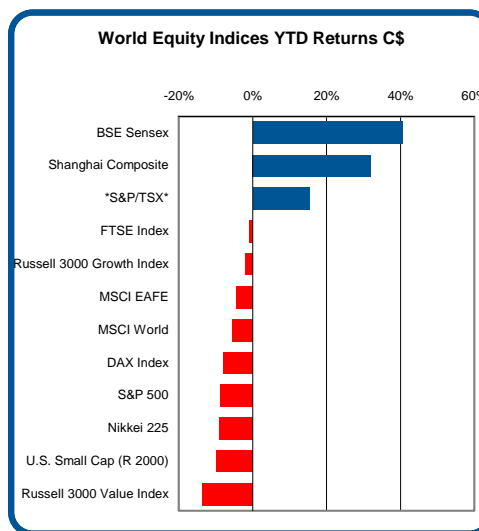
	Actual	1M	3M	6M	1YR	3YR	5YR
1M T-Bill	0.17%	0.15%	0.22%	0.43%	1.21%	2.94%	2.84%
3M T-Bill	0.20%	0.20%	0.26%	0.51%	1.31%	3.00%	2.94%
1YR T-Bill	0.50%	0.47%	0.51%	0.70%	1.58%	3.18%	3.19%

Currencies

	Actual	1M	3M	6M	1YR	3YR	5YR
C\$/US\$	\$0.92	9.35%	16.98%	13.71%	-8.89%	1.02%	24.93%
US\$ Trade wt.	\$79.23	-6.36%	-9.97%	-8.42%	8.72%	-6.48%	-10.87%
Euro/C\$	\$1.54	-2.17%	-4.48%	-1.86%	-0.12%	9.39%	-7.06%
Yen/C\$	\$1.14	-5.33%	-12.49%	-11.82%	21.57%	17.03%	-8.00%

Commodities

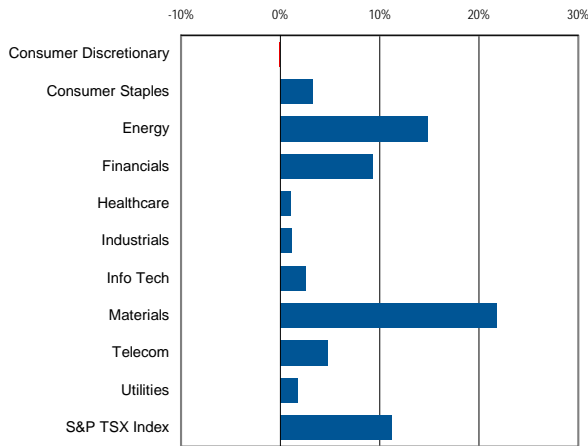
	Actual	1M	3M	6M	1YR	3YR	5YR
Oil	\$66.31	29.7%	48.1%	21.8%	-47.9%	-7.0%	66.3%
Nat Gas	\$3.84	13.7%	-8.6%	-41.1%	-67.2%	-39.9%	-40.5%
Gold	\$979.4	9.8%	4.0%	20.2%	3.2%	68.4%	129.2%
Copper	\$219.8	7.0%	44.0%	35.4%	-39.4%	-40.9%	71.9%



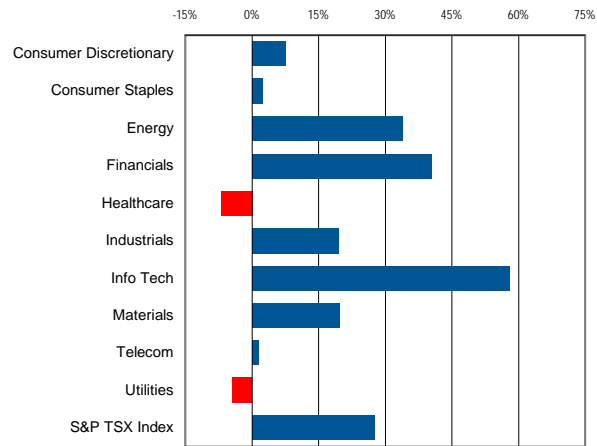
Source: Bloomberg, Ishares.ca

Canadian GIC Sector Performance (C\$)

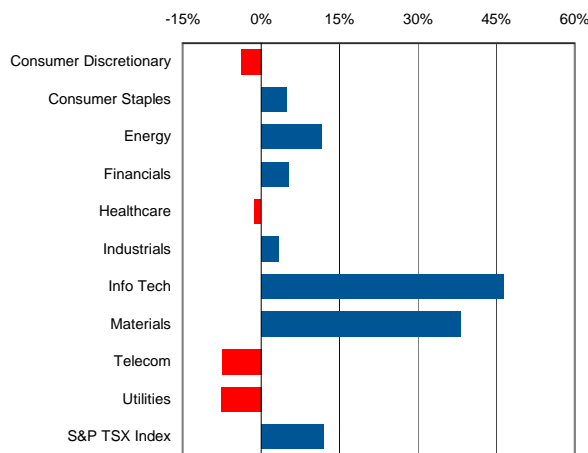
CAN 1-Month



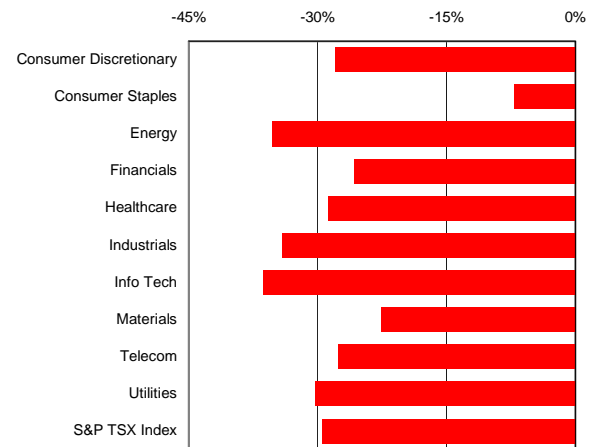
CAN 3-Month



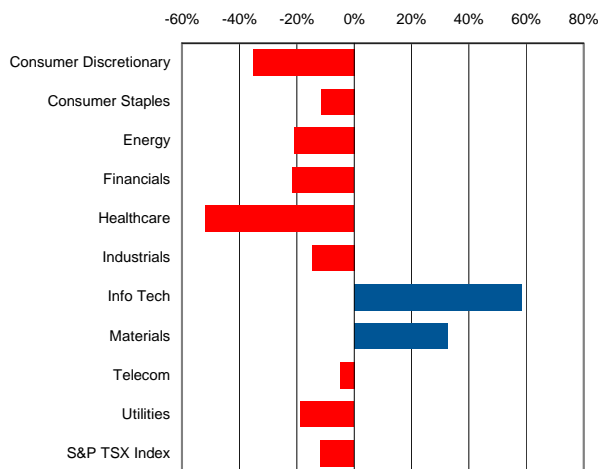
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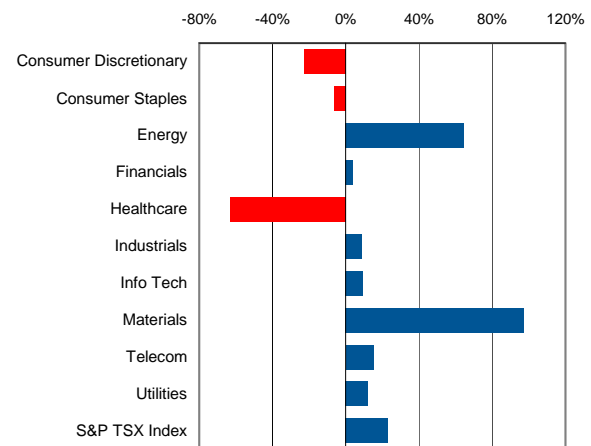
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CAN 3-Year



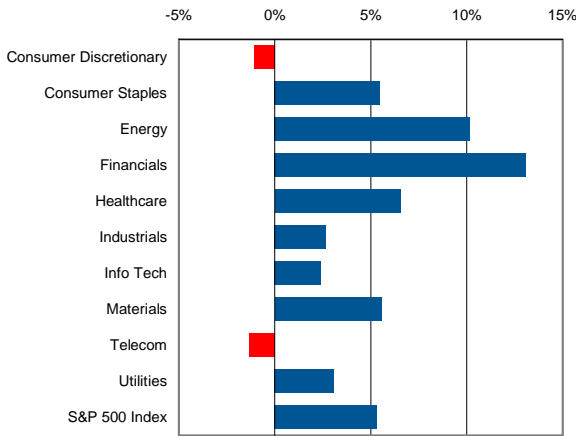
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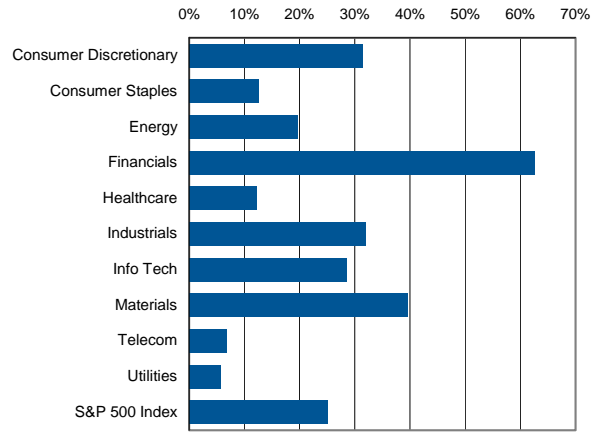
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US GIC Sector Performance (US\$)

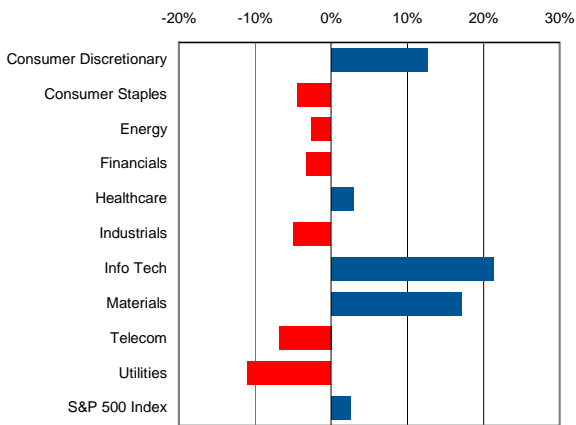
US 1-Month



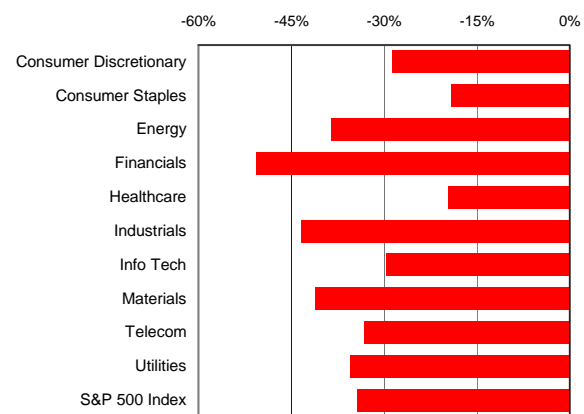
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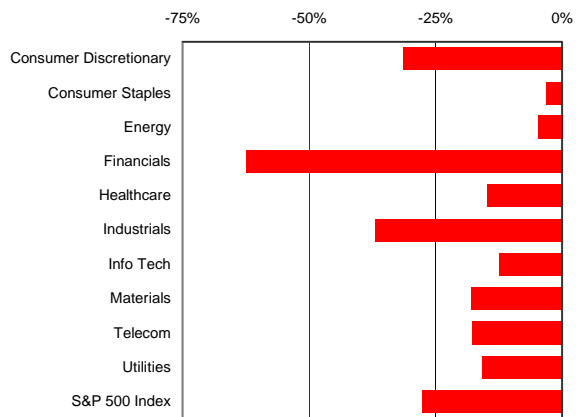
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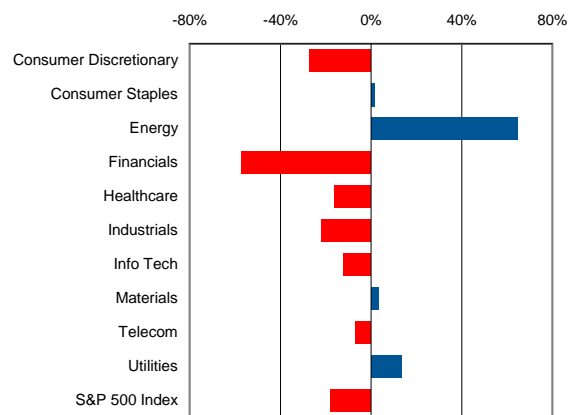
US 1-Year



US 3-Year



US 5-Year



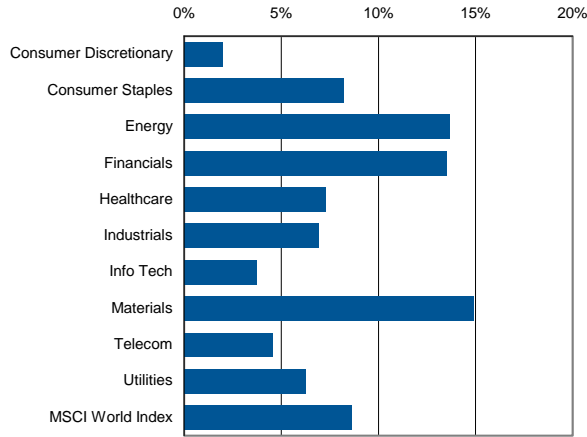
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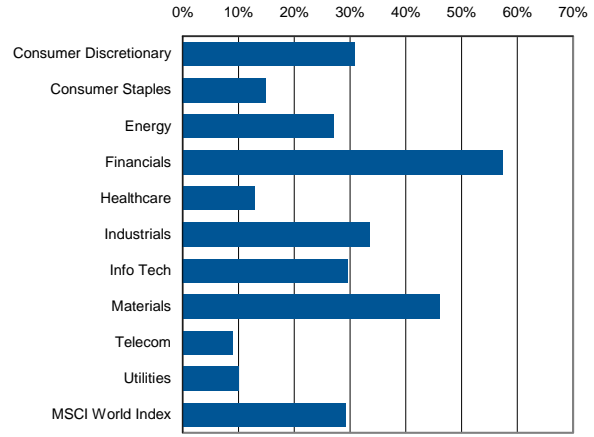
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World GIC Sector Performance (US\$)

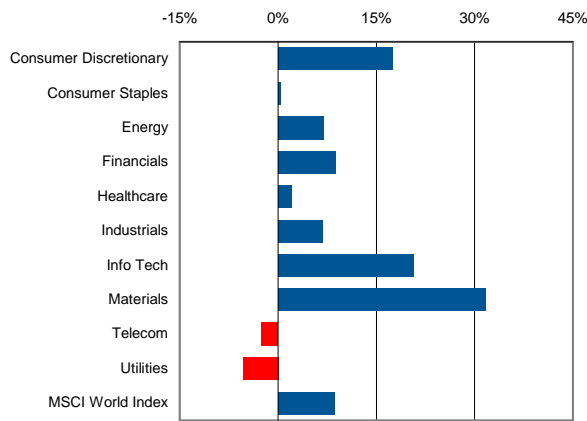
World 1-Month



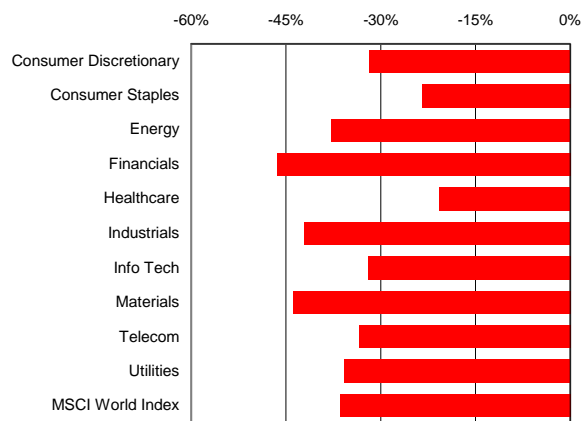
World 3-Month



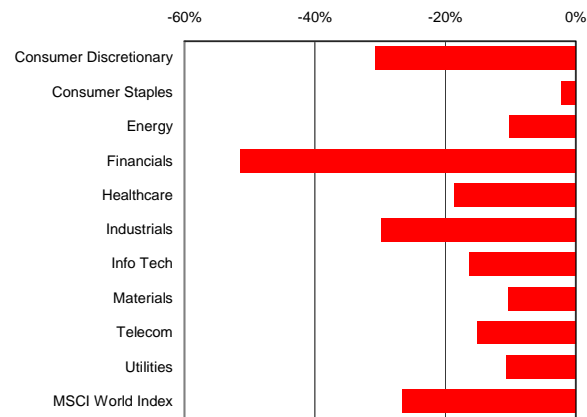
World 6-Month



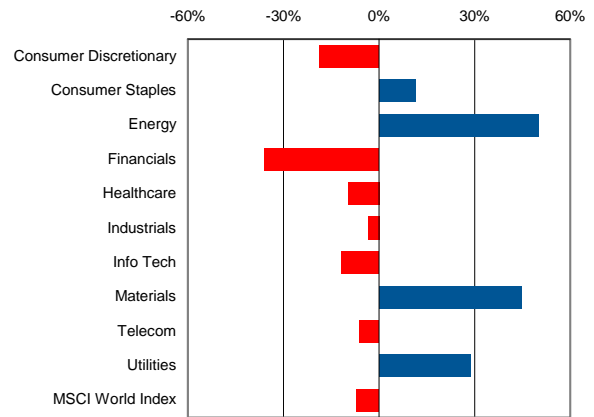
World 1-Year



World 3-Year



World 5-Year



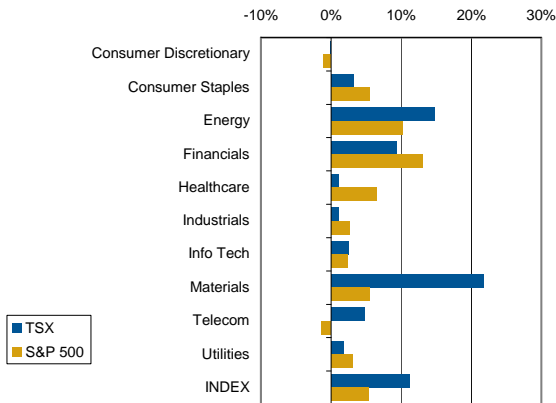
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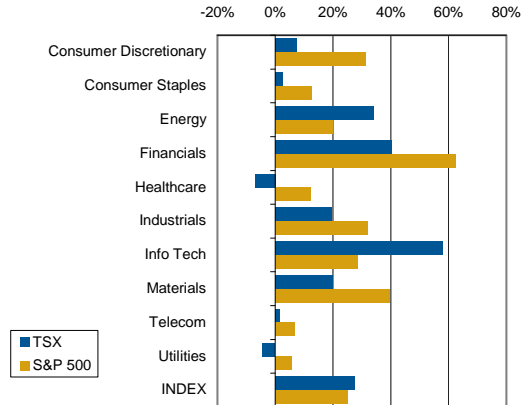
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Sectoral Performance TSX vs S&P 500

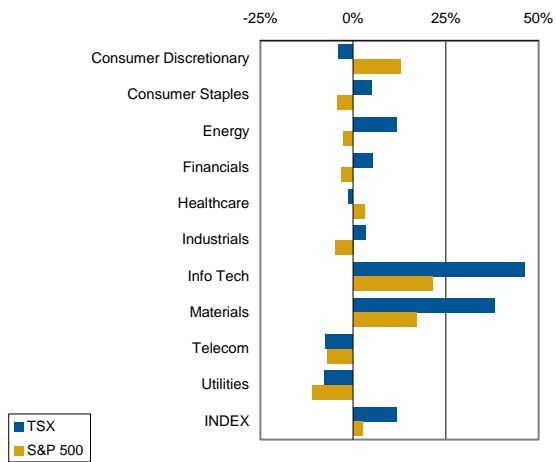
TSX vs S&P 500 1-Month



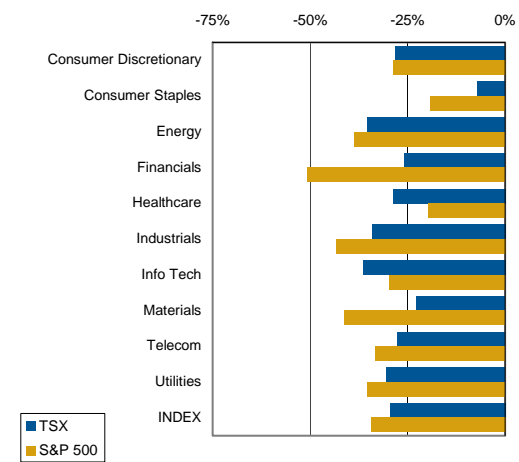
TSX vs S&P 500 3-Month



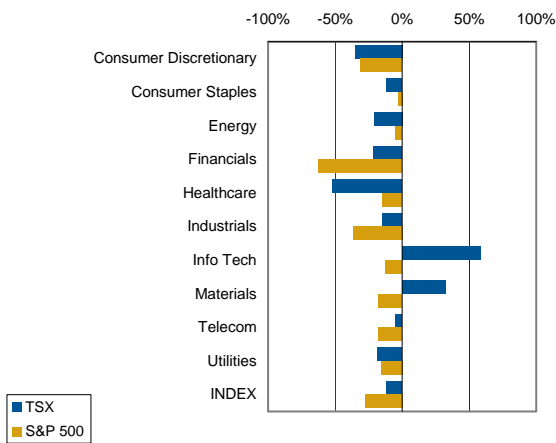
TSX vs S&P 500 6-Month



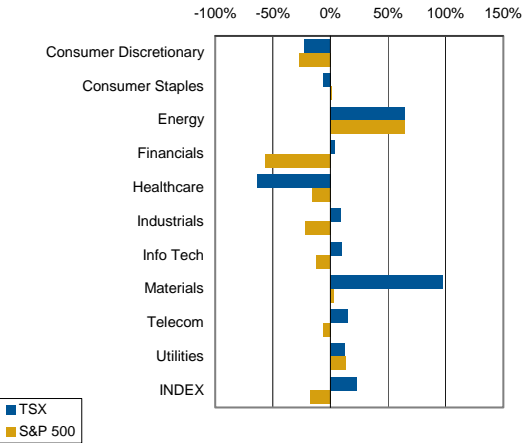
TSX vs S&P 500 1-Year



TSX vs S&P 500 3-Year



TSX vs S&P 500 5-Year



Source: Bloomberg

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