

## Monthly Market Snapshot

July 2009

John Bai, CFA / (416) 365-5451

[jbai@dundeewealth.com](mailto:jbai@dundeewealth.com)

Dan Solomon, MBA / (416) 840-8183

[dsolomon@dundeewealth.com](mailto:dsolomon@dundeewealth.com)

- The market rally that began in March extended into Q2 as economic “green shoots” (data hinting at economic recovery during an economic downturn) showed that the worst of the recession might be over. North American markets advanced, as the S&P/TSX closed up 20.0%, and the S&P 500 gained 15.9% for the quarter. However, in the month of June equities began to slip as investors were questioning whether or not the three month rally was over-extended.
- Commodities came back into favour, as signs of economic improvement lifted resource prices and sent commodity and energy producers higher. While all markets enjoyed a robust quarter, resource centric markets such as those of Canada, Brazil, and Australia outpaced resource importing markets such as those of the US, and Europe. Copper ended the quarter up 22.8%, while crude oil added 40.7% for the same period. The CRB commodities index finished up 13.41% for the quarter.
- As a result of the surge in commodity prices, the Canadian dollar jumped 9.35% in May alone, reaching USD/CAD 0.9250 in early June, but fell back to USD/CAD 0.8604 at the end of the quarter as the run-up in resources subsided. The US dollar had a volatile quarter as concerns over inflation, and talk of the eventual replacement of the US dollar as the global reserve currency were offset by the use of the currency as a safe haven for investors as well as unfounded rumours of a potential rate increase by the US Fed.
- Gold finished the quarter up 0.9%. Dundee Wealth’s Chief Economist, Martin Murenbeeld’s, short-term out look for gold is bearish as he believes that the supposed demise of the US\$ is greatly exaggerated especially when considering that the BRIC nations made it clear at their latest summit, that they would not soon abandon the currency. However, in the mid-term Dr. Murenbeeld’s gold outlook is bullish as he expects that contrary to their statements, the BRIC nations will quietly move away from US\$ to gold over time.
- Investors paid close attention to the quarter’s economic figures, as they searched for hints that the global recession might be nearing its end. Data for the most part showed that economic conditions were “less bad”, suggesting that the pace of economic deterioration had slowed. However, with unemployment figures still on the rise, there is still some uncertainty as when the recession will actually end. There have been conflicting reports as to the timeline for economic recovery, with the IMF and OECD forecasting a faster recovery than the World Bank, which recently forecasted a larger-than-expected economic contraction for 2009.
- Dr. Murenbeeld, believes that the recession will finish in August of 2009. He also feels that the recovery is likely to be “L-shaped” as household spending, which accounts for two thirds of US GDP, will take some time to build up as the savings rate rises while consumers work to repair their balance sheets.
- While there is still some ambiguity as to the near-term future of the equity markets, some key stress indicators are at pre-Lehman failure levels, pointing to a more stable investing landscape. Volatility has decreased, demonstrating that investors are becoming less risk averse, with the VIX Index (a measure of equity market volatility) reaching 25 and holding strong below the 30 level. In addition, the TED spread (measuring the difference between the 3-month LIBOR interest rate and the 3-month T-bill interest rate) is at its lowest since pre-crisis levels, while both corporate and high yield credit spreads have also significantly tightened.
- The next catalyst going forward for the equity markets will be the release of Q2 earnings. Better-than-expected results would further boost investor confidence, increasing the possibility for the extension of the most recent rally. Investors will also continue to look to economic data in the comings weeks and months for further direction on whether or not the economy is improving.

# Monthly Market Statistics: June 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	0.3%	20.0%	17.6%	17.6%	-25.7%	-0.9%	6.6%	0.3%	20.0%	17.6%	17.6%	-25.7%	-0.9%	6.6%
S&P 500	0.2%	15.9%	3.2%	3.2%	-26.2%	-8.2%	-2.2%	6.5%	6.7%	-1.6%	-1.6%	-15.8%	-6.9%	-5.0%
MSCI EAFE	-0.3%	17.3%	5.6%	5.6%	-25.1%	-9.5%	1.1%	5.7%	15.8%	3.4%	3.4%	-21.3%	-6.2%	-0.1%
MSCI World	0.0%	16.7%	5.2%	5.2%	-25.8%	-8.4%	-0.3%	5.9%	11.4%	1.9%	1.9%	-19.0%	-6.2%	-2.2%
MSCI Pacific	2.6%	19.8%	11.3%	11.3%	-26.5%	-11.1%	0.1%	8.5%	15.7%	4.7%	4.7%	-13.7%	-5.8%	-0.4%
MSCI Emerging	-1.3%	24.6%	29.8%	29.8%	-19.7%	4.4%	14.2%	4.9%	24.1%	29.9%	29.9%	-17.7%	4.7%	11.9%
TSX Small Cap	-0.9%	22.4%	17.9%	17.9%	-35.5%	-12.0%	-3.1%	-0.9%	22.4%	17.9%	17.9%	-35.5%	-12.0%	-3.1%
Global Small Cap	1.5%	24.5%	13.9%	13.9%	-23.9%	-10.5%	-0.1%	7.5%	18.0%	9.7%	9.7%	-16.1%	-7.9%	-1.8%
Bonds - CDN	1.4%	3.1%	5.8%	2.8%	7.0%	6.2%	5.9%	1.4%	3.1%	5.8%	2.8%	7.0%	6.2%	5.9%
Bonds - 1- 5 yr	0.4%	0.7%	2.4%	2.4%	8.0%	6.2%	5.0%	0.4%	0.7%	2.4%	2.4%	8.0%	6.2%	5.0%

## 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	17.6%	-33.0%	9.8%	17.3%	24.1%	17.6%	-33.0%	9.8%	17.3%	24.1%	14.5%	27002.0	34734.7	19470.0
S&P 500	3.2%	-37.0%	5.5%	15.8%	4.9%	-1.6%	-22.6%	-10.3%	16.1%	1.5%	2.8%	1498.9	2076.6	1095.0
MSCI EAFE	5.6%	-39.9%	4.0%	16.9%	29.5%	3.4%	-30.1%	-5.1%	27.2%	10.3%	11.9%	2020.9	2688.6	1535.2
MSCI World	5.2%	-38.3%	5.2%	16.1%	16.3%	1.9%	-26.7%	-6.8%	21.0%	6.4%	6.8%	2263.2	3057.3	1683.1
MSCI Pacific	11.3%	-42.2%	-1.4%	11.6%	38.1%	4.7%	-21.6%	-10.2%	12.8%	19.0%	10.6%	1238.2	1692.3	922.2
MSCI Emerging	29.8%	-45.7%	33.5%	28.9%	35.8%	29.9%	-42.5%	18.9%	32.9%	30.1%	16.7%	60411.6	72136.5	38425.4
TSX Small Cap	17.9%	-45.5%	0.9%	11.6%	10.6%	17.9%	-45.5%	0.9%	11.6%	10.6%	6.5%	525.5	774.6	367.4
Global Small Cap	13.9%	-40.4%	-3.8%	13.6%	23.3%	9.7%	-28.3%	-14.0%	17.9%	12.3%	15.6%	136.4	181.3	93.2
Bonds - CDN	2.8%	3.7%	4.1%	6.5%	7.1%	2.8%	3.7%	4.1%	6.5%	7.1%	6.7%	718.8	718.8	663.5
Bonds - 1- 5 yr	2.4%	4.1%	4.0%	2.4%	5.1%	2.4%	4.1%	4.0%	2.4%	5.1%	5.1%	567.7	568.0	525.5

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

## Canadian Average Cash Yields

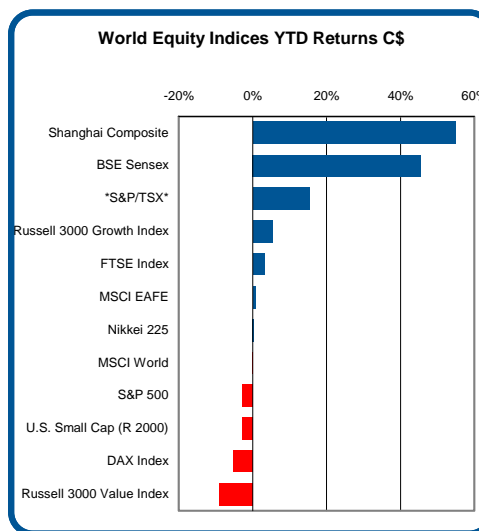
	Actual	1M	3M	6M	1YR	3YR	5YR
1M T-Bill	0.18%	0.18%	0.16%	0.34%	1.03%	2.83%	2.81%
3M T-Bill	0.24%	0.22%	0.21%	0.41%	1.13%	2.89%	2.91%
1YR T-Bill	0.51%	0.51%	0.48%	0.64%	1.36%	3.07%	3.15%

## Currencies

	Actual	1M	3M	6M	1YR	3YR	5YR
C\$/US\$	\$0.86	-6.18%	8.43%	4.90%	-12.11%	-3.96%	14.67%
US\$ Trade wt.	\$80.13	0.99%	-6.20%	-1.45%	10.58%	-5.90%	-9.76%
Euro/C\$	\$1.63	5.67%	-2.32%	-4.27%	1.34%	14.16%	0.32%
Yen/C\$	\$1.21	5.38%	-5.28%	-10.24%	25.41%	23.57%	-1.56%

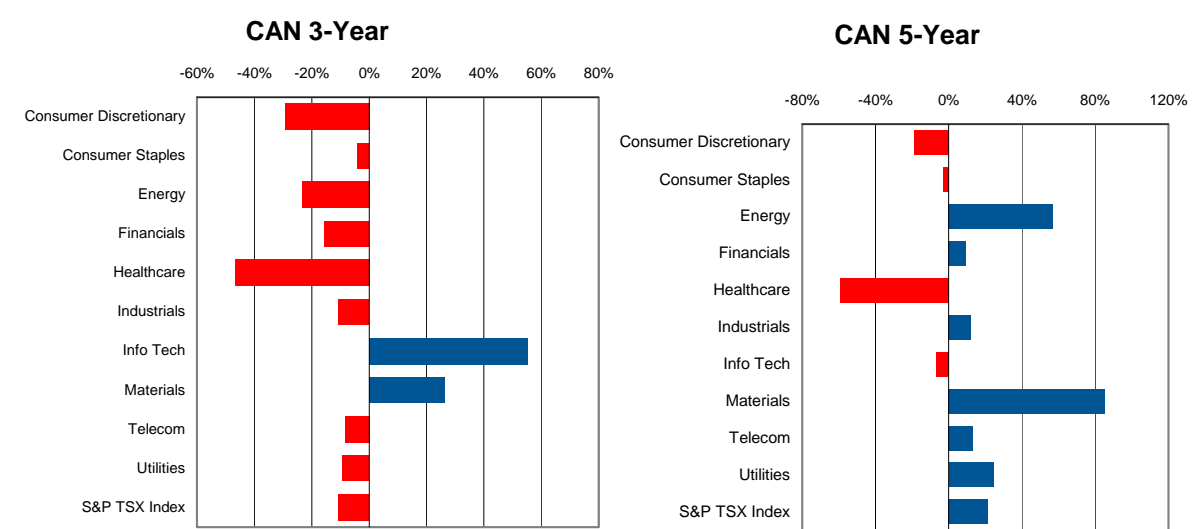
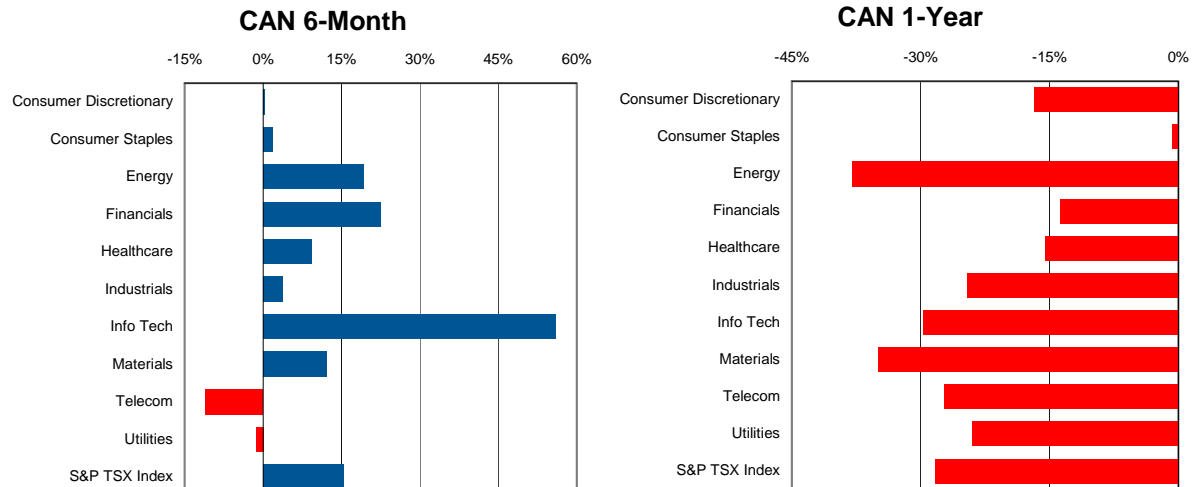
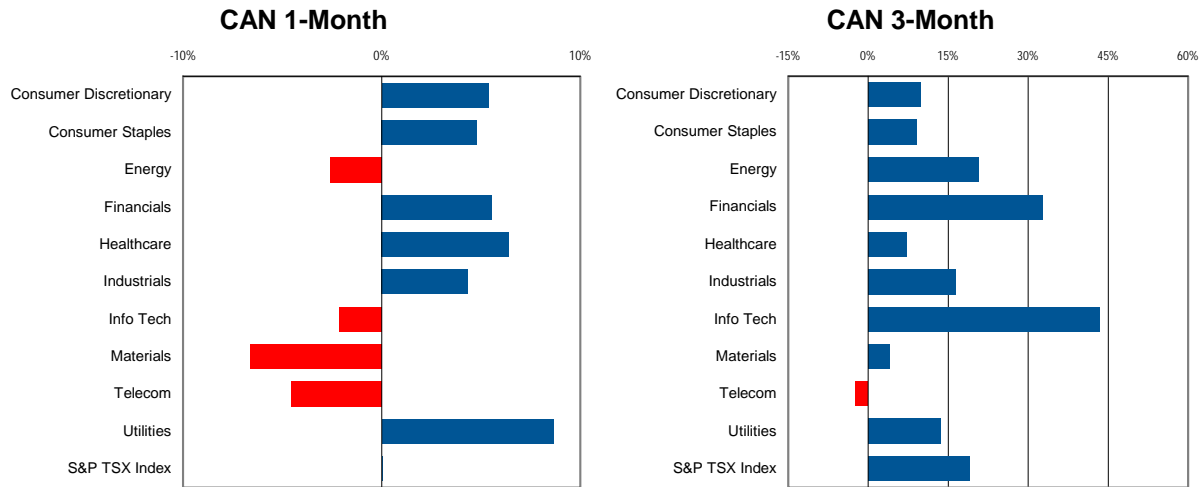
## Commodities

	Actual	1M	3M	6M	1YR	3YR	5YR
Oil	\$69.89	5.4%	40.7%	56.7%	-50.1%	-5.5%	88.6%
Nat Gas	\$3.84	0.0%	1.6%	-31.8%	-71.3%	-37.2%	-37.7%
Gold	\$927.0	-5.4%	0.9%	4.8%	-0.1%	41.6%	139.2%
Copper	\$225.8	2.8%	22.8%	61.9%	-42.0%	-34.8%	87.4%



Source: Bloomberg, Ishares.ca

## Canadian GIC Sector Performance (C\$)

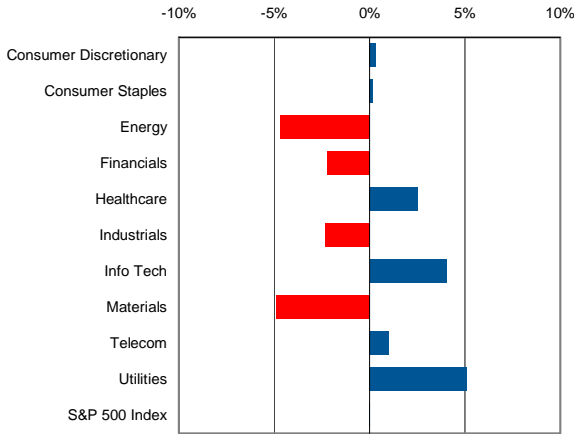


Source: Bloomberg

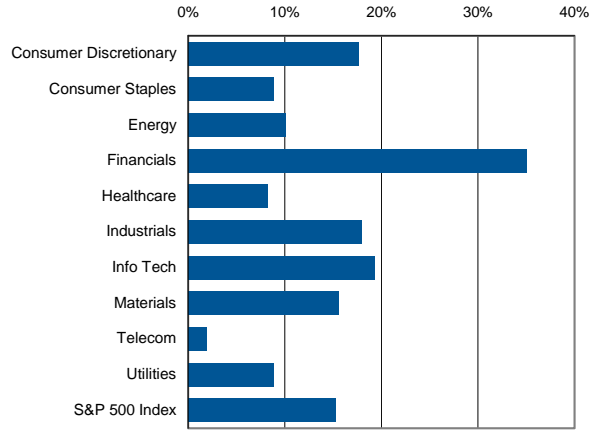


# US GIC Sector Performance (US\$)

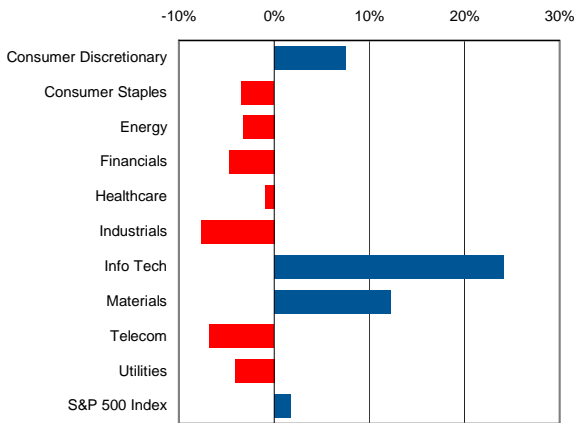
**US 1-Month**



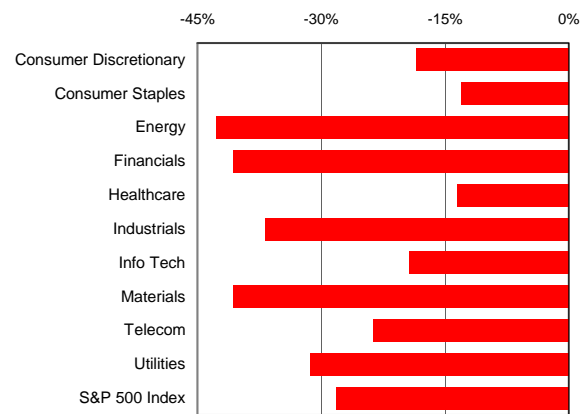
**US 3-Month**



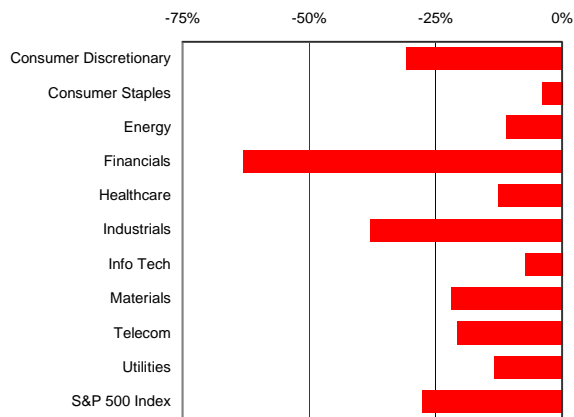
**US 6-Month**



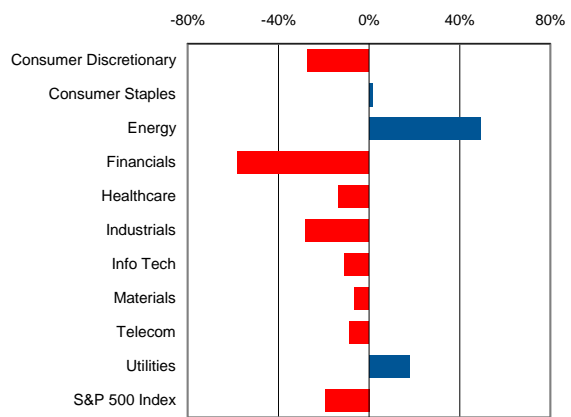
**US 1-Year**



**US 3-Year**



**US 5-Year**



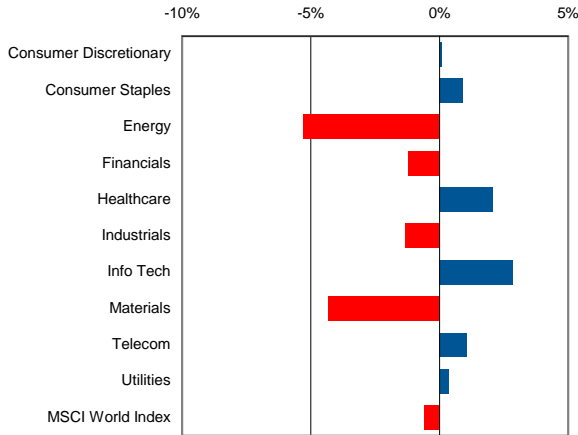
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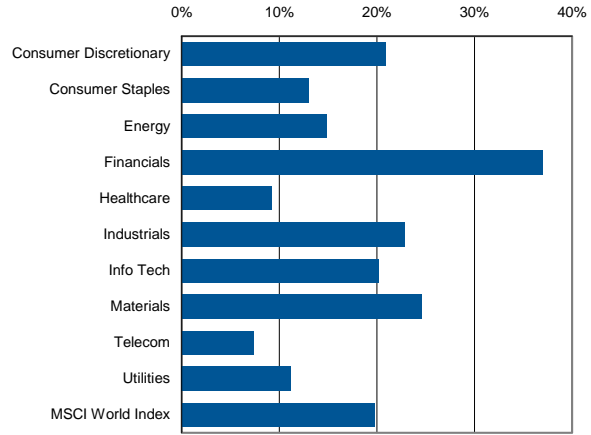
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## World GIC Sector Performance (US\$)

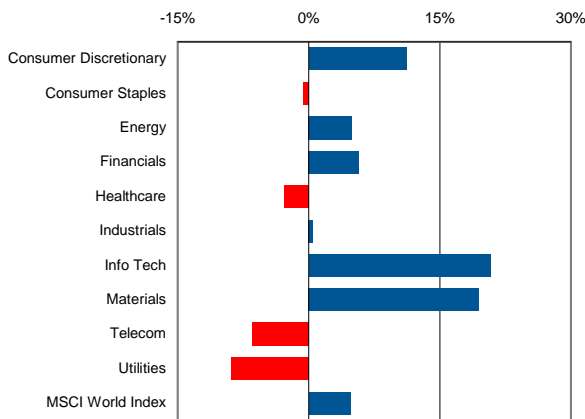
**World 1-Month**



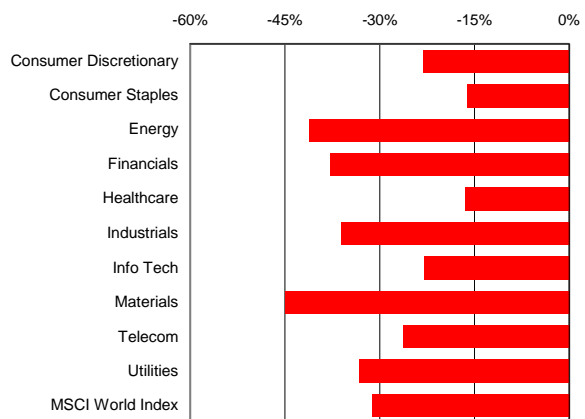
**World 3-Month**



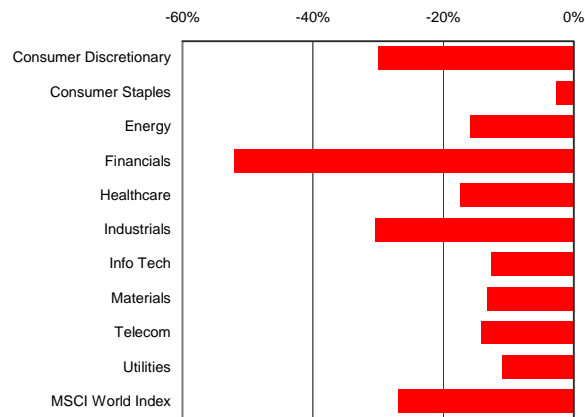
**World 6-Month**



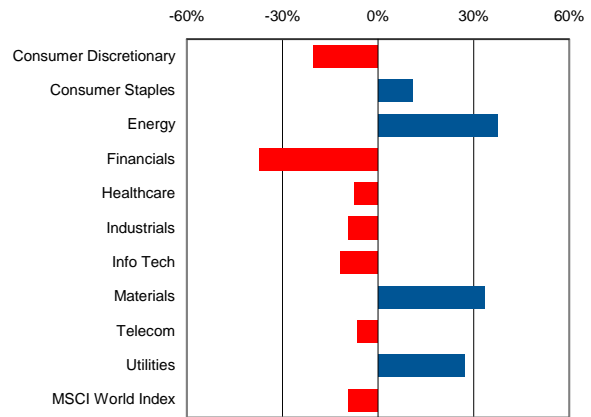
**World 1-Year**



**World 3-Year**



**World 5-Year**



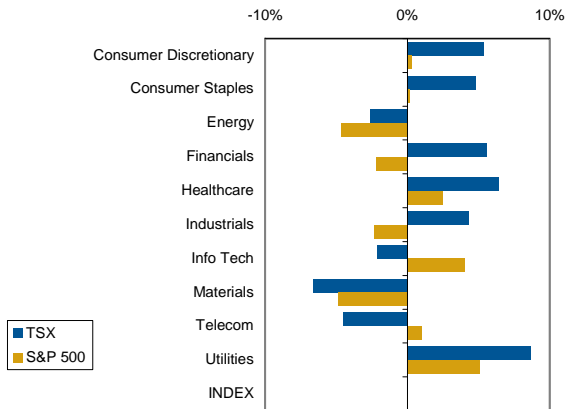
Source: Bloomberg



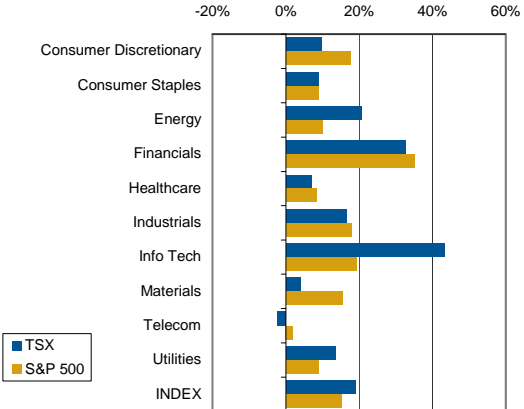
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## Sectoral Performance TSX vs S&P 500

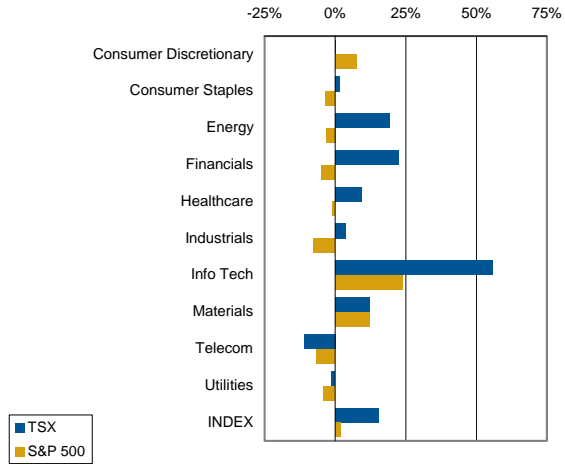
**TSX vs S&P 500 1-Month**



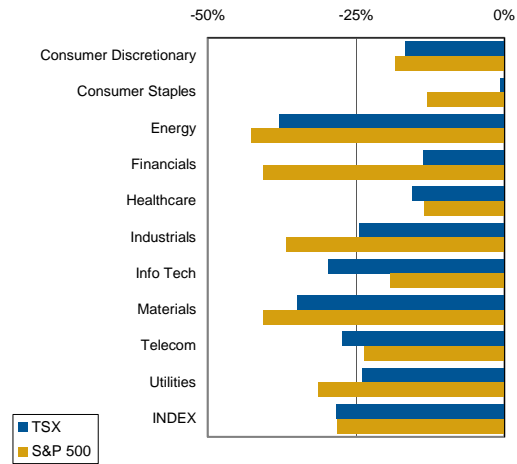
**TSX vs S&P 500 3-Month**



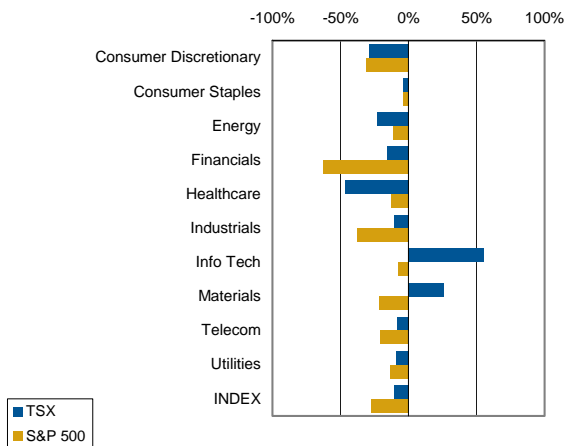
**TSX vs S&P 500 6-Month**



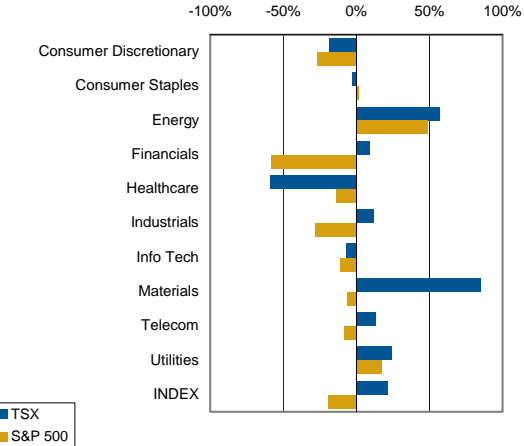
**TSX vs S&P 500 1-Year**



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



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



Source: Bloomberg

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