Ermes Monaco

From: Ermes Monaco <emonaco@dundeewealth.com>
Sent: December-06-12 4:49 PM
To: 'Ermes Monaco'

Subject: VALUED CLIENT MAIL LIST: Dundee Economic Monitor - End of Year 2012

DUNDEEWEALTH

2012: AN INTERMISSION BETWEEN ACTS

This year can be characterized by the sense that there was a lack of progress as economic and market gains were offset by subsequent setbacks. This follows 2011 which posted a strong post-recession performance which was not able to sustain itself through 2012. In fairness this year was marked by a series of events which created both temporary and lingering setbacks which have either played themselves out or continue to be a drag on recovery momentum.

There were many stages around the world where military conflicts, geo-economic differences and presidential elections conducted their "theatre of operations" **creating significant uncertainty and a major correction in confidence and markets during the summer. Markets have only managed to re-trace the summer decline recently and have not been shy to show their dissatisfaction with recurring minor corrections on demand.**

Notwithstanding the challenges, the bias has been to recovery which has diminished the probability of a double dip recession. The leading actor stepping on to the stage for the next act is the U.S. and it is hoped that its performance will lead other performers on stage in a boisterous chorus of economic recovery and a standing ovation.

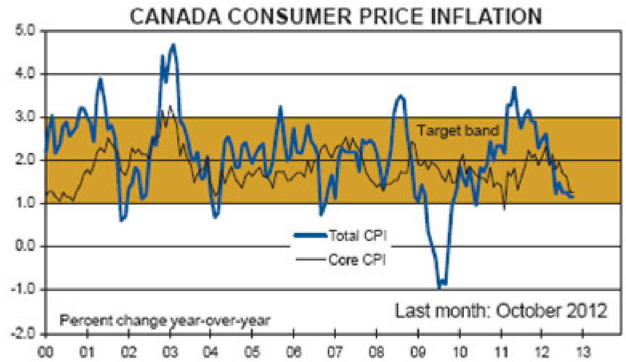
As Shakespeare said, *"All the world's a stage, And all the men and women merely players: They have their exits and their entrances;"*

(Source for all charts and statistics: DundeeWealth November 2012 Economic Monitor unless otherwise indicated)

KEY ECONOMIC INDICATORS

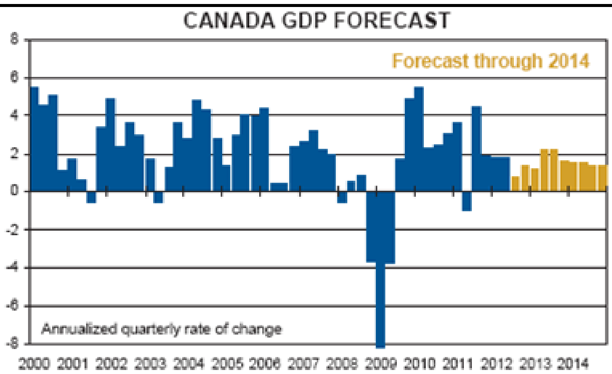
The Canadian dollar continues to respond to global uncertainty in a reactive manner according to the prevailing value of oil as an economic hedge.

The value of the loonie continues to be determined by global interests.



Mark Carney, Canada's outgoing Governor of the Bank of Canada will have an opportunity to apply his rising interest rate strategy through the Bank of England where he will be the new Governor.

However, Canada's inflation status continues to forego the need for higher interest rates despite Mr. Carney's insistence that rising rates were necessary. Current inflation is performing at the bottom of, and threatens to go below, the target band.



A forecast for positive Canadian GDP growth rests largely on the expectation of eventual recovery in the U.S.

A federal focus on resource development in the face of declining global demand has created a structural economic imbalance which will require a U.S. demand for manufactured goods to help stabilize regional flows and tax revenues.

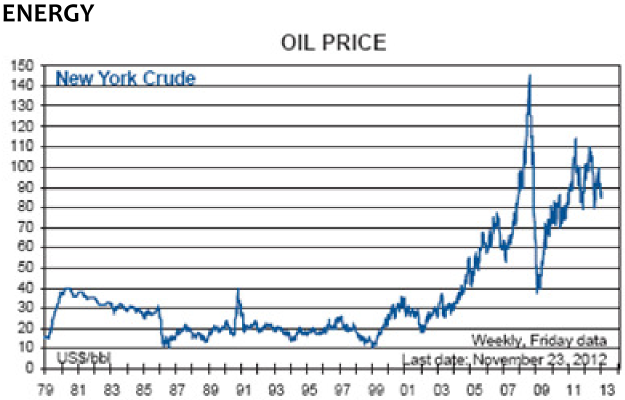
Recent Federal efforts to promote manufacturing in Eastern Canada to support Western based resource development is unlikely to contribute to re-balancing due to the surplus supply of equipment and services already available in the resource sector.

	Actual				Projected						
	12-I	12-II	12-III	27-Nov	Dec	Jan	Feb	13-I	13-II	13-III	13-IV
Treasury Bill (91-day)	0.92	0.98	1.00	0.96	0.99	0.97	0.95	0.93	0.85	0.60	0.50
Government Bond (10-yr)	2.05	1.87	1.72	1.75	1.85	1.75	1.70	1.70	1.65	1.70	1.75
Prime	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.50	2.50
Target Overnight Rate	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*0.75*	*0.50*	*0.50*
Spread: 10-yr - T Bills	1.13	0.89	0.72	0.79	0.86	0.78	0.75	0.77	0.80	1.10	1.25

DundeeWealth continues to forecast modest and declining interest rates over the foreseeable future.

KEY SECTORS

ENERGY



Oil prices continue to be determined and sustained by global uncertainty at this time rather than economic expansion.

FINANCIAL MARKETS (Last 3 years)

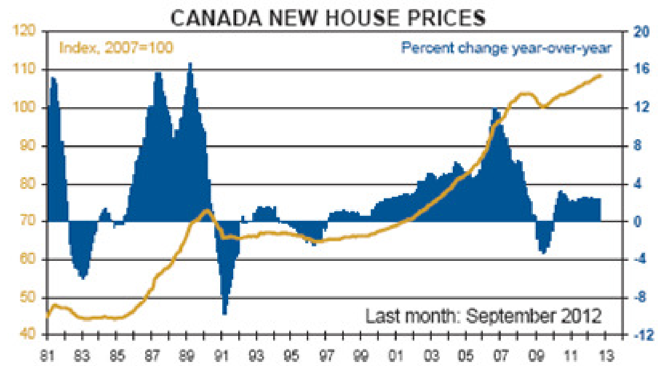
The Canadian stock market continues to be heavily resource weighted which has caused the lag in performance.

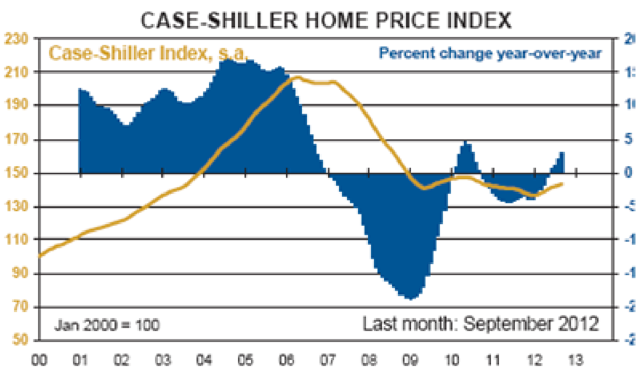
The TSX has generated a negative performance year over year to date and asset sectors must be

Source GlobeInvestorgold

selectively held in order to ensure positive returns.

REAL ESTATE





Recent actions at the federal level to curb real estate sector performance have not resulted in a collapse as was predicted.

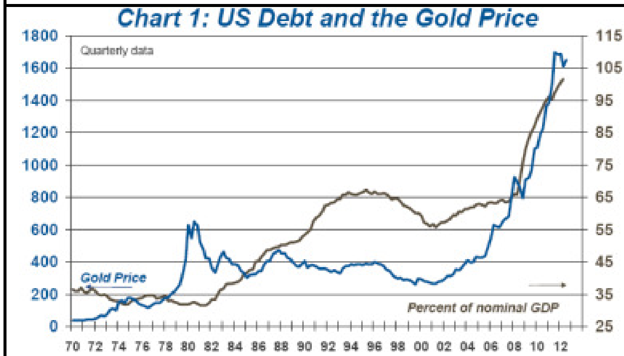
While there has been some slowdown and regional differences in real estate markets, the federal government has not been able to stimulate economic growth to warrant higher interest rates which would be most effective in managing the sector.

In the meantime, the U.S. experience continues to improve.

TIMELY ITEMS

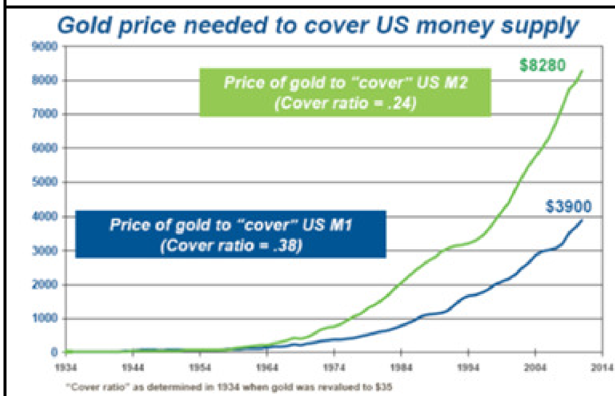
U.S. employment continues to improve post-recession, a key to increasing consumer confidence and demand which are critical global economic catalysts.

Consumer confidence in the U.S. continues to support an eventual stronger recovery.



The role of the U.S. dollar as a global fiscal mechanism has been hedged over the past decade by the price of gold which has risen concurrent with growing U.S. debt which threatens the dollar.

Going forward, the role and value of gold could de-couple as the U.S. economy strengthens and the U.S. debt position begins to moderate.



The actual versus the "required" price of gold to fully hedge the U.S. dollar indicates that there is still considerable confidence in the U.S. currency.

QUOTES FROM THIS MONTH'S MONITOR

On the role of the U.S. dollar	In other words, foreign-held US government debt is part and parcel of the present, rigid exchange rate system. Furthermore, the amount of US debt held abroad is a representation of the cumulative over-valuation of the US dollar. Over $5 trillion is held abroad, or about 33% of US
On the impact of recent federal initiatives to slow real estate values	A weaker housing sector should drag Canadian growth down in 2013. US fiscal problems could also be a negative influence next year, possibly requiring downward forecast revisions.

On the outlook and bias for recovery	Our outlook for North American equity markets (see the *Market Monitor*) is constructive but there are some near-term concerns. Sudden market weakness should present some attractive buying opportunities.
Regards **Ermes Monaco** **Investment Advisor** **DWM Securities Inc.** **416-412-4254**	***The Economic Monitor is available through the DundeeWealth website.***