Ermes Monaco

From:	Ermes Monaco <emonaco@dundeewealth.com>
Sent:	February-10-13 12:15 PM
To:	'Ermes Monaco'
Subject:	VALUED CLIENT MAIL LIST: Dundee Economic Monitor - January 2013

DUNDEEWEALTH

2013: Will the groundhog be right this year?

A January tradition each year is the observation of the groundhog interrupting its hibernation to survey the weather outside in anticipation of an early or late spring. In the belief that the groundhog has a mystical intuitive sense to recognize the changing of the seasons, the folklore contends that the groundhog's ability to see or not see its shadow is an indication of whether there will be an early or late spring.

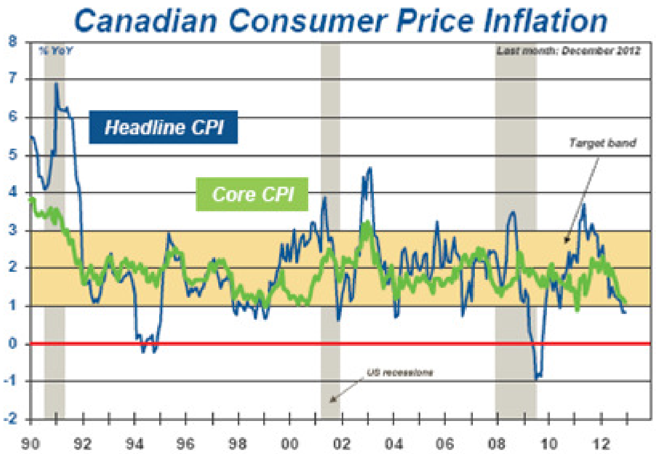
I'm not clear how the groundhog communicates this to the human observers who perhaps believe they have a mystical intuitive sense of speaking and understanding groundhog. In any case, I have found the groundhog has had about a 50% success rate in calling it right which suggests the groundhog is not even a good guesser.

I would like to think the financial market pundits use a somewhat more scientific approach to forecasting economic and financial market performance although, like the groundhog, consensus and opinion tends to be running 50/50 in terms of slow to strong recovery in 2013 or 2014. In reality, shadows and guessing are not necessary because the economic indicators are all around.

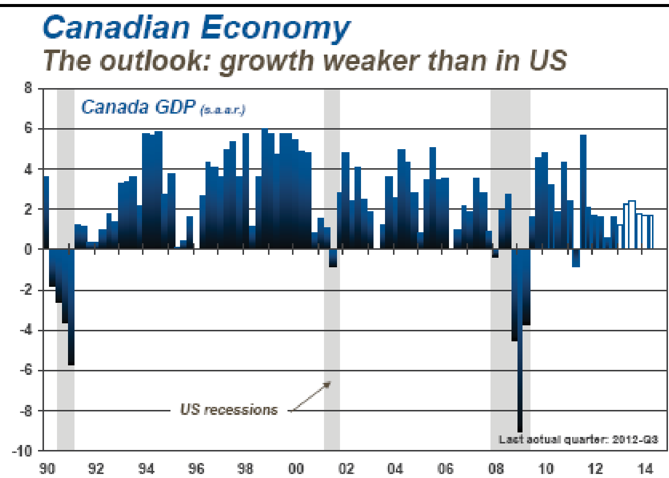
Based on the collective total of the prevailing economic indicators, recovery remains on track. However, we should be wary of short term signs of quick improvement and expect longer term recovery.

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

KEY ECONOMIC INDICATORS	
	**The Canadian dollar continues to be valued as a petro currency despite the negative impact the value of the higher currency has had on exports and GDP.**



Inflation remains firmly in the low end of the policy band. Subdued consumer confidence and demand has been deflating inflationary pressure.



Canada's commodity based economic focus is likely to continue to suppress GDP growth to below 2%, a critical threshold for employment, as global resource demand remains muted, a glut of oil exists in the open market and the U.S. continues to develop its own resource supplies.

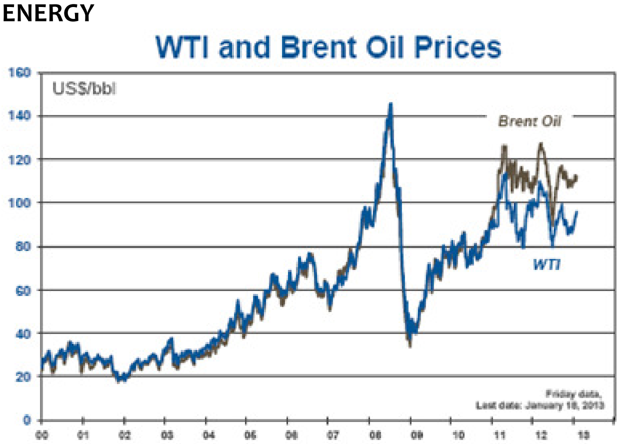
Concurrently, the currency overvaluation continues to undermine exports of both commodity and manufactured based goods and services.

	Actual				Projected						
	12-II	12-III	12-IV	29-Jan	Feb	Mar	Apr	13-II	13-III	13-IV	14-I
Treasury Bill (91-day)	0.98	1.00	1.00	0.92	0.90	0.89	0.87	0.75	0.55	0.55	0.55
Government Bond (10-yr)	1.87	1.72	1.72	1.99	1.95	1.85	1.80	1.85	1.90	1.95	1.95
Prime	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.50	2.50	2.50
Target Overnight Rate	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*0.83*	*0.67*	*0.50*	*0.50*
Spread: 10-yr - T Bills	0.89	0.72	0.72	1.07	1.05	0.96	0.93	1.10	1.35	1.40	1.40

DundeeWealth's Economic Department continues to forecast modest and declining interest rates over the foreseeable future.

KEY SECTORS

ENERGY



Oil price volatility continues to reflect post-recession weakness and uncertainty.

Despite being perceived as a petro currency, Canadian oil prices are currently averaging about $30-40 WTI less due to reliance on the U.S. as the primary market and a pipeline bottleneck impeding the transport of supplies to the global open market.

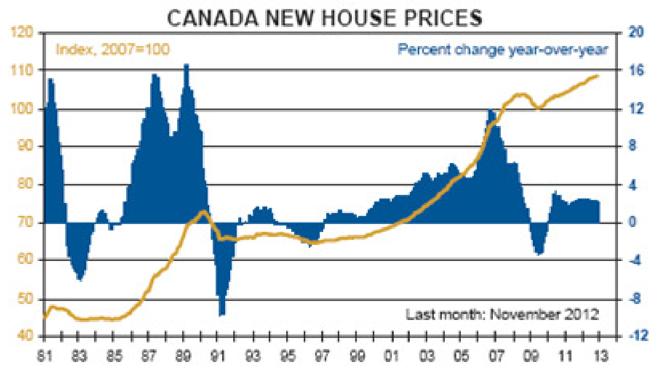
FINANCIAL MARKETS
(Last 3 years)

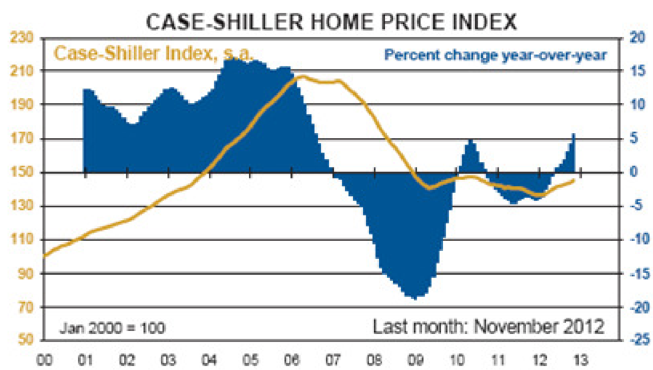
Post-election financial market strength has been in anticipation of further recovery although market volatility is possible if and when actual recovery lags market expectation.

Source GlobeInvestorgold

The U.S. financial markets, which are less resource based, continue to outperform the Canadian markets.

REAL ESTATE

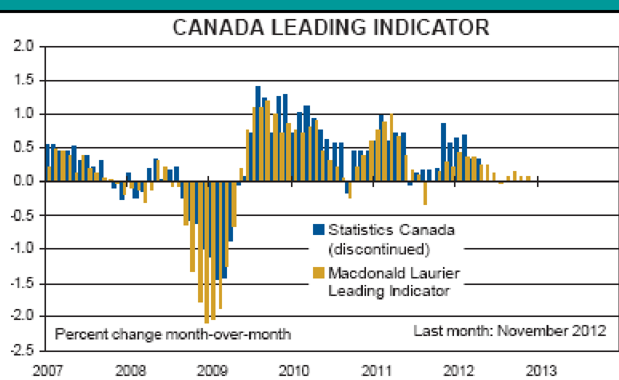




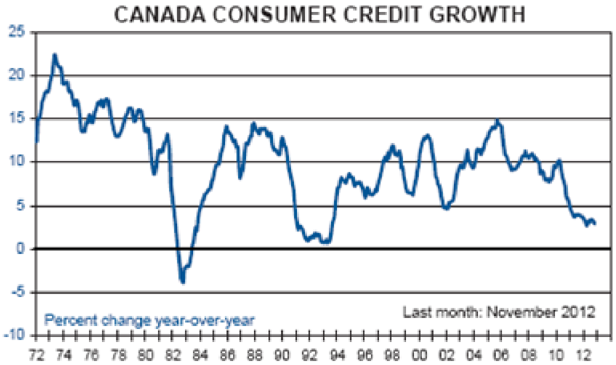
The real estate sector has benefited from historically low interest rates as well as a lack of consumer confidence in the financial markets. Despite federal policies and lending practices attempting to trigger a correction in the sector, the impact has been modest to date.

The U.S. experience continues to reflect improving consumer confidence and lending practices.

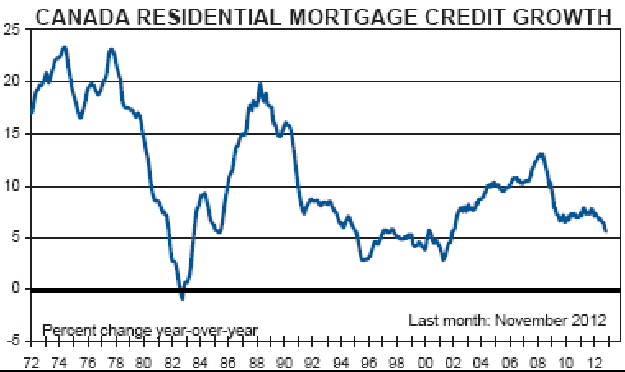
TIMELY ITEMS



Canadian leading indicators are projecting slower growth due to the combined effects of reduced resource demand, slower exports and the orchestrated slowdown in the construction and real estate sector.



In response to higher consumer debt levels, financial institutions have been restricting consumer borrowing. This is also contributing to a slowdown in GDP.



Despite consumer demand and low interest rates, mortgage lending is also being constrained. This is being directly factored in to the decline of GDP growth.

QUOTES FROM THIS MONTH'S MONITOR

On the effect of oil prices on the Canadian dollar	The still high price of oil has kept the Canadian dollar strong but Canadian oil prices are subject to growing discounts because of pipeline capacity issues and (worse) prospects of a supply glut in the US (Canada's major export market).
On the global outlook for interest rates	Longer-term bond yields may well continue to set new lows in developed countries over the next decade for the following reasons: • Economic growth is on a long-term slowing trend as labour force growth slows. • Productivity (the other component of growth) may also slow if investment weakens along with consumer spending • Slower growth is likely to bring reduced rates of inflation, maybe even deflation.

On the outlook and bias for recovery	Our outlook for North American equity markets (see the *Market Monitor*) is constructive. Sudden bouts of market weakness should be considered potential buying opportunities.
Regards **Ermes Monaco** **Investment Advisor** **DWM Securities Inc.** **416-412-4254** DUNDEEWEALTH	***The Economic Monitor is available through the DundeeWealth website.***