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Subject: VALUED CLIENT MAIL LIST: Dundee Economic Research JANUARY 2011
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THE YEAR AHEAD

With every New Year comes the tradition of New Year's resolutions. A common one is the commitment to slim down after the holiday season and in the spirit of this resolution we have also decided to trim our monthly Economic Monitor presentation. We will continue to use Dr. Murenbeeld's monthly report as the source for our updates. But, instead of attaching the entire document each month, we will extract only key items which affect the majority of us on a day to day basis and focus on how we can expect these to impact us over the near term. We will also cover any special items when they occur.

(Source for all charts and statistics: Dundee Economic Monitor January 2011 edition)

<p>US cents Daily, last date: January 7, 2011</p>		<p>The Canadian dollar continues to maintain its strength at around parity with the U.S. dollar and will likely remain this way through the year. Demand for Canadian commodities continues to support the loonie's value. This should keep prices and inflation in check but continue to provide a challenge for non commodity based exports and the country's GDP growth. A change in the direction of this demand would closely correlate with a decline in the value of the loonie as the Canadian dollar continues to trade as a commodity based currency.</p>																																
<p>New York Crude Weekly, Friday data US\$/bbl Last date: January 7, 2011</p>		<p>Oil prices are maintaining their recent highs due to prevailing global and not necessarily North American demand for oil. Continued currency uncertainty should also keep prices at the pump above \$1 / litre for now as investors continue to hold commodities as a hedge against sovereign currency risk.</p>																																
<p>Interest Rates</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Actual</th> <th colspan="4">Projected</th> </tr> <tr> <th>10-II</th> <th>10-III</th> <th>10-IV</th> <th>20-Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>11-II</th> <th>11-III</th> <th>11-IV</th> <th>12-I</th> </tr> </thead> <tbody> <tr> <td>Government Bond (10-yr)</td> <td>3.33</td> <td>2.93</td> <td>3.08</td> <td>3.29</td> <td>3.30</td> <td>3.30</td> <td>3.35</td> <td>3.45</td> <td>3.70</td> <td>3.90</td> <td>3.85</td> </tr> </tbody> </table>			Actual				Projected				10-II	10-III	10-IV	20-Jan	Feb	Mar	Apr	11-II	11-III	11-IV	12-I	Government Bond (10-yr)	3.33	2.93	3.08	3.29	3.30	3.30	3.35	3.45	3.70	3.90	3.85	<p>Interest rates are expected to remain tame over the year with the expectation of a modest rise in rates toward the end of the year in line with the strength of the recovery. This should continue to help the real estate sector.</p>
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		<p>The strength of the loonie will continue to moderate inflation although government concerns about consumer borrowing will contribute to higher rates which could create inflation in the interim.</p>
<p>Timely Items</p>		
		<p>The continuing bias of the banking system to lend to individuals versus business threatens higher consumer rates and is likely to moderate GDP growth this year.</p>

QUOTES FROM THIS MONTH'S MONITOR:

- GDP Growth: **“ CANADIAN GROWTH: UNDERWHELMING US GROWTH: ENJOYING STIMULUS ”**
- Emerging Markets: **“ INFLATION IS A THREAT TO GROWTH “**
- North American Equities: **“ The bullish factors outweigh the bearish factors. ”**
- Euro-zone: **“THE EUROZONE WILL CONTINUE TO STRUGGLE WITH SOVEREIGN DEBT PROBLEMS ”**

We hope you enjoy this new "lighter" format. The full Economic Monitor remains available through the DundeeWealth web site.

Regards
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