

Markets Fight Off Bearish Data

Phil Kwon, VP, Investment Management & Research

After several weeks of positive performance North American markets became very choppy as the past week was filled with negative economic data out of the U.S. along with more problems in Greece. The S&P/TSX finished at -0.7% and the S&P500 fared slightly better at -0.4%. While the markets started the year off with a terrible January, February was definitely a different story. Even with all the negative sentiment out of Europe, North American markets posted healthy positive gains for the month and from a year to date perspective they are almost flat. The S&P/TSX and S&P/500 had a return of 2.8% and 1.4%, respectively, for February. Although the past week was riddled with negative news on the economy and Greece's possible debt downgrades, the market proved its resilience to battle back and finish almost where it had started on Monday.

The first negative piece of economic data came on Tuesday, where the U.S. Consumer Confidence Index, which measures the degree of optimism on the state of the economy, came in at 46.0 well below the 55.0 consensus. This has been the lowest confidence number in almost a year. With the U.S. consumer making up approximately two thirds of GDP, growing concerns in confidence is indicative of the consumer's unwillingness to spend. Also, the existing home sales for January did not help the cause.

Though the market sold off initially on Thursday due to worse than expected initial jobless claims out of the U.S., and the speculation that ratings agencies may downgrade Greek's bonds one or two notches in a month, the markets did recover off the lows of the session and rallied off the initial gap down. The U.S. GDP numbers came in better than expected on Friday.

With alarm bells still ringing from the Fed Discount Rate hike, and the idea of the almost zero interest rates coming to an end fresh in the minds of investors, Fed Chairman Ben Bernanke but a stop to those bells during his testimony on Capitol Hill. Bernanke told Congress last week he still expects interest rates to remain low for an extended period to ensure that the U.S. economic recovery will last and help the unemployment situation. There is still a greater than 50% probability that the Fed Funds Rate will remain unchanged at the start of the second half of the year.

On the home front, CIBC kicked off the earnings season on Thursday with profits beating street estimates. By the end of this week, all of the six major banks will have reported. In general, we expected strong reports out of the banks with results beating expectations. Tier 1 Capital should not be a concern, but trading revenue and loan loss provisions will be in focus. On Wednesday, the Bank of Canada will be reporting on their overnight lending rate. Consensus is for rates to remain the same at 0.25%.



After the devastating earthquake measuring 8.8 hit Chile on Saturday, Copper prices will open on the week significantly higher. As Chile accounts for 30% of the world's copper reserves, and produces around one third of the global supply. Approximately one fifth of the country's production has already been suspended.

The monthly report on manufacturing from the Institute for Supply Management on Monday will also be closely watched to see if the factory sector's recovery is firmly entrenched. Also at the end of this week, the market will have its eye on the nonfarm numbers and the unemployment rate out of the U.S. With the unexpected jump in initial jobless claims and a negative surprise in the consumer confidence number, investors will want to see if the employment picture in the U.S. is indeed improving. With many crucial economic data points on the slate, Europe and in particular Greece still questionable, and the aftermath of the earthquake in Chile, this week will be a choppy one.



Market Performance

Index	Last Week (7 day)	Year to Date	Close (02/26/2010)
S&P/TSX Composite	-0.7%	-1.0%	11,630
Dow Jones Ind Avg	-0.7%	-1.0%	10,325
NASDAQ Composite	-0.3%	-1.4%	2,238
S&P 500	-0.4%	-1.0%	1,104
Canadian Dollar (US\$/CAD\$)	-0.8%	0.1%	\$0.95
S&P 500 (C\$)	0.4%	-1.1%	NA
Dow Jones Ind Avg (C\$)	0.1%	-1.1%	NA

Weekly Economic Data

Day	 Canada	Est.	Prior	 U.S.	Est.	Prior
Monday	Industrial Prod Price (m/m)	0.5%	-0.1%	Personal Income	0.4%	0.4%
	Raw Materials Price Index	2.2%	-1.7%	Personal Spending	0.4%	0.2%
	Quarterly GDP Annualized	4.2%	0.4%	PCE Deflator (y/y)	2.2%	2.1%
	GDP (m/m)	0.4%	0.4%	PCE Core (m/m)	0.0%	0.1%
				PCE Core (y/y)	1.4%	1.5%
Tuesday	Bank of Canada Rate	0.25%	0.25%	ISM Manufacturing	58.0	58.4
				ISM Prices Paid	68.0	70.0
Wednesday				Construction Spending (m/m)	-0.6%	-1.2%
				Domestic Vehicle Sales	8.00M	8.19M
Thursday	Building Permits (m/m)	0.8%	2.4%	Total Vehicle Sales	10.40M	10.82M
	Ivey Purchasing Mangers	56.0	50.8	ADP Employment Change	-10k	-22k
				ISM Non-Manf Composite	51.0	50.5
				Non-Farm Productivity	6.3%	6.2%
				Unit Labour Costs	-4.4%	-4.4%
				Initial Jobless Claims	465k	496k
Friday				Continuing Claims	4600k	4617k
				Factory Orders	1.8%	1.0%
				Pending Home Sales (m/m)	1.0%	1.0%
				Change in Nonfarm Payrolls	-50k	-20k
			Unemployment Rate	9.8%	9.7%	
			Change in Manf. Payrolls	-20k	11k	
			Consumer Credit	-\$4.5B	-\$1.7B	

Company Earnings Reports

	 Canada Companies	Qtr	Est.	 U.S. Companies	Qtr	Est.
Monday	Labrador Iron Ore Royalty	Q4	\$0.72			
	Minefinders Corp	Q4	\$0.08			
Tuesday	Bank Of Montreal	Q1	\$1.02			
	Davis + Henderson Income	Q4	NA			
Wednesday	Aecon Group Inc	Q4	\$0.26			
	Freehold Royalty Trust Uts	Q4	NA			
	Hudbay Minerals Inc	Q4	\$0.20			
	Laurentian Bank Of Can	Q1	\$1.09			
	Major Drilling Group Intl	Q3	\$0.00			
	Royal Bank Of Canada	Q1	\$1.04			
	Trinidad Drilling Ltd	Q4	\$0.05			
	Vermilion Energy Trust	Q4	\$0.78			
Yamana Gold Inc	Q4	\$0.15				
Thursday	Groupe Aeroplan Inc	Q4	\$0.27	Costco Wholesale Corp	Q2	\$0.71
	Bonavista Energy Trust	Q4	\$0.33			
	CML Healthcare Income	Q4	NA			
	Canadian Natural Res	Q4	\$1.35			
	Capital Power Income Lp	Q4	\$0.13			
	Chartwell Seniors Housing	Q4	NA			
	Canadian Western Bank	Q1	\$0.39			
	Daylight Resources Trust	Q4	\$0.08			
	Fort Chicago Energy	Q4	\$0.12			
	Pembina Pipeline Inc	Q4	\$0.28			
	Ritchie Bros Auctioneers	Q4	\$0.19			
	Shawcor Ltd-Class A	Q4	\$0.40			
	Silver Wheaton Corp	Q4	\$0.15			
	SXC Health Solutions Corp	Q4	\$0.43			
	Trican Well Service Ltd	Q4	\$0.01			
Toronto-Dominion Bank	Q1	\$1.34				
Friday	Celtic Exploration Ltd	Q4	\$0.12			
	Gabriel Resources Ltd	Q4	-\$0.01			
	New Gold Inc	Q4	\$0.05			
	Nuvista Energy Ltd	Q4	\$0.07			
	SNC-Lavalin Group Inc	Q4	\$0.53			

Disclaimer:

All opinions, estimates and other information included in this report constitute our judgment as of the date hereof and are subject to change without notice. Before acting upon any information contained in this report, you should consider whether it is suitable for your particular circumstances by seeking professional advice from your advisor at Richardson GMP. No recipient may pass on the information contained in this report to any other person without the prior written consent of Richardson GMP. Copyright 2010 by Richardson GMP Limited. All rights reserved.

RICHARDSON is a trade-mark of James Richardson & Sons, Limited. GMP is a registered trade-mark of GMP Securities L.P. Both used under license by Richardson GMP Limited.