

What we noticed

Earnings season began to ramp up this past week. Canada has only started to get going, but in the US so far bottom line results have been positively skewed within the S&P 500 companies. As previously noted, in the Independence Weekly Editions 4 and 5, our focus for this season was on the difference between top and bottom line performance. So far revenue surprises have been relatively flat to negative which indicates that good earnings continue to be almost exclusively the result of productivity enhancements and cost cutting rather than top line strength driven from improving fundamentals. Also last week, one of our largest holdings, Potash Corp. (TSX:POT), reported and met previously revised downward guidance (and street expectations) as well as lowered Q4 EPS guidance.

Outlook

This will be our last Independence Weekly due to the shut down of our department. We would like to take this opportunity to thank everybody for their support over the years, especially the last 6 weeks since the change in manager. We wish everyone at Canaccord and their clients the best and hope for your future success and prosperity.

Trades to the platform since October 16, 2009

Increase Sun Life Financial Inc (TSX:SLF) @ \$30.95

Reinitiated a position in Sun Life. Even though it is still a stock that will tend to move with the equity markets due to its earnings sensitivity, we now feel more comfortable that their capital base is sufficient to withstand any weakness, especially with our view of where markets are going. It has also dropped to a level which is equivalent to roughly 10 times a normalized earnings base, a level that we feel is attractive for a world-class company with a strong market position in India.

For the week ending: October 23, 2009

Index	Last Week	MTD	YTD
S&P TSX Composite	-1.0%	0.1%	30.1%
S&P TSX 60	-1.1%	-0.4%	28.1%
DEX Universe Bond	0.3%	-0.5%	5.0%
S&P 500 (USD)	-0.7%	2.2%	21.9%
MSCI EAFE (USD)	0.5%	2.7%	33.1%
MSCI World (USD)	-0.2%	2.4%	28.6%
MSCI Emerging (USD)	0.2%	5.9%	70.7%

Commodities, Interest Rates & Currencies

WTI: \$80.50	1.9%	13.5%	37.1%
Natural Gas: \$4.79	0.1%	-1.1%	-28.5%
Copper \$3.03	6.6%	7.6%	110.8%
Gold: \$1,055	0.2%	4.7%	19.7%
Baltic Dry: 3,043	11.5%	37.1%	293.7%
US 3 T-Bill: 0.05	-10.7%	-52.8%	-33.4%
US 10 Yr.: 3.49	2.3%	5.6%	57.8%
Yield Curve: 2.49	1.2%	5.5%	72.0%
DXY: 75.5	-0.2%	-1.5%	-7.2%
Cdn/USD: 0.95	-1.5%	1.6%	15.7%

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Source: Bloomberg Markets, Canaccord Capital

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