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Friday, February 10,

Another Superbowl in the books, and although I am saddened with the loss by my New England Patriots to those New York Football Giants, I can honestly say that it was a very entertaining, well played game. C'est La Vie, there is always next year... on to far more interesting, market moving events.

Global equity markets have had a strong past 3 months; the Morgan Stanley Composite World Index, Germany's DAX Index, and both the Dow Jones and S&P 500 in North America have all shown better than 20% growth since mid October. Canada was up slightly less at 12% over that same period. However, we do expect to see a pausing of this broad rally amid concerns over the deteriorating Greek debt situation. With the flip-flop by the Greek politicians, investors have sold in response to the sudden change in direction or lack of resolution that for the most part was thought to have been resolved. That is not to say we foresee contagion, but the potential for a Greek removal from the EU would set the stage for a global equity market pause.

What we are frequently asked is, "how is this going to affect Canada, and what does our crystal ball say about a market decline". Our reply is that yes, Canada will be affected, but as to how much the general TSX may be impacted is unknown. We are far more focused and concerned with how each of our client's portfolios may be impacted than worry about the broad market which we do not own.

The key risk over the next several months would be if a recession in Europe evolves and how this might spur a banking system crisis that spills over into a global lending crisis as in 2008. A great thing about history is we can often learn from it, and as demonstrated today by North American corporate balance sheets – they are significantly stronger than they were in 2008 with significant cash balances. While we are not in the camp of global recession, as you may recall from previous weekly commentaries, we do remain cautious.

The train wreck / gong show / circus or whatever metaphor you want to use for the European situation, has been the fixation of markets and media since last May. It could certainly make a flight to safety to sit in cash or Government Bonds a natural response. With Treasury Bills and short term Bonds showing negative real returns, our preference for safety remains gold.

ERIK DEKKER, BBA, PFP, AIFP
Vice President &
Senior Investment Advisor

MARK HEWETT, P. Eng., CIM, AIFP, FCSI
Vice President &
Senior Investment Advisor &
Portfolio Manager

ERIK BENSON, BA
Investment Advisor

ERICA SZCZECH, CIM, FMA
Investment Advisor
& Portfolio Manager

ALIX ROGERS
Administrative Assistant

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With the advent of ETFs, investing in gold has become far easier than in years past, when physical ownership of gold was the only way to own bullion. Now we have our choice of ETFs, in either US or Canadian currencies. Although if you want to own gold in order to protect against a decline in the USD you wouldn't want to own gold in USD, thus our preference is a Canadian ETF.

Some of you recall we have previously discussed the Horizons Gold Yield Fund. Currently in the market as a closed end trust that is converting to an ETF in April, it holds Gold Bullion with a covered call option strategy on one third of the portfolio to generate a dividend yield. We continue to like this gold investment for clients as it provides the defense that we like to see in order to reduce the month to month volatility. More importantly, we also get paid to be on the defensive, which as of late has been yielding investors 10%.

Defense and dividends all wrapped in Gold, something we will be increasingly talking about.

As always, your comments and feedback are welcome.

For those Star Wars fans (such as my daughter) Episode 1 in 3D is released today, so it's safe to say you know where I will be at 7PM tonight)

Have a great weekend, and may the force be with you.

The Dekker Hewett Group

TODAY'S STOCK WATCH

S&P/ TSX Composite	12,389
Dow Jones Indus. Avg.	12,801
S&P 500	1,342
Canadian/US Dollar	\$0.9981
US/Canadian Dollar	\$1.0016
Euro / Canadian	\$1.3206
Gold	\$1723
Silver	\$33.57
Oil	\$99.03



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