

Issue 1

Friday, January 6, 2012

Welcome 2012!

The markets started the year on a positive note - a sign that investors may have ended 2011 a bit too gloomy. Based on investor survey results published in today's Vancouver Sun, 68% of British Columbians believe we are in a recession, and of that 5% feel that we are in a severe recession currently. Considering Canadian GDP has been averaging above 2% growth since the 4<sup>th</sup> quarter of 2009, we are certainly expanding the economy, albeit slowly!

Markets remain preoccupied about the risks from Europe and the US housing market. We do not feel that Europe will solve their problems in 2012, but they do look to be on the path towards a positive solution. As previously mentioned, we feel this process will take considerable time to work through, but it will have a solution in the end. Our main concern was the Euro zone credit crisis could significantly damage the North American economy, a fear that as of yet has not been realized. Goldman Sachs chief market economist, Dominic Wilson, said in a note earlier this week, that this is by no means an "all clear" statement, but rather to point out that while the situation in the EU is not good, it has not turned into the contagion scenario that was feared.

In the US, we are beginning to see the US housing sector improve – this is very positive for the economy overall. Today we saw US payroll data confirm an increase of nearly 200,000 jobs, adding to the positive jobs data we saw in November. This data is important because the construction sector post job growth last month after a very lengthy period of stagnation. For the year, US job growth was 1.64 million, building on 940,000 growth in employment in 2010. Conversely, Canada had 205,000 jobs added in 2011 according to Stats Canada.

Another positive statistic for the manufacturing sector, compiled by the Institute for Supply Management (ISM), indicates that export orders rose in December to their highest levels since August, and production orders were at their highest levels since April. Both indications we have a strong economy indeed!

All of this data points towards the very real possibility for a demand-led recovery to accelerate economic growth during 2012. We have reason to be optimistic as we leave the challenges of 2011 behind and focus on the opportunities in front of us.

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## TODAY'S STOCK WATCH

S&P/ TSX Composite	12,188
Dow Jones Indus. Avg.	12,360
S&P	1,279

Canadian/US Dollar	\$0.9725
US/Canadian Dollar	\$1.0287
Euro / Canadian	\$1.3058

Gold	\$1617
Silver	\$28.68
Oil	\$101.49

When see an opportunity that not only has strong investment merit, but also the ability to reduce one's taxes, we look to evaluate specific client suitability quickly. Flow-Through investments are one such investment vehicle.

Good quality **Flow-Through Limited Partnerships** provide the investor with the opportunity to generally invest in a diversified portfolio of resource related companies, be they metals and mining or energy (or even a combination of both sectors) and receive a tax reduction benefit for taking that risk within their portfolio. For those of you who are not familiar with Flow Through investing, we have placed a "Flow-Through Investing Made Simple" explanatory piece on our website to provide a more in-depth explanation. Please visit [www.dekkerhewettgroup.com/resources](http://www.dekkerhewettgroup.com/resources) for more information.

By definition, the greater your taxable income, the greater tax reduction benefits you could receive, as any investments made are over and above your annual RSP contributions, and a direct deduction from gross income. This makes Flow Thru LP's typically utilized by those in higher tax brackets. However, they can also be very useful for those investors are in lower tax brackets, as they allow you the benefits of diversification to resource related investments.

Aside from the tax benefits, these investments are no different than investing in typically smaller metals & mining or energy exploration companies. Therefore, when selecting a Flow Thru LP, portfolio evaluation and management expertise are key. We have already evaluated this year's LP's, and have a list of potential investments available. As they continue to come out over the next month, we will keep you apprised as to those we feel offer the greatest potential.

Please visit our website for further details, and as always we welcome your feedback and questions.

We wish everyone a happy and healthy New Year.

*The Dekker Hewett Group*



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