

Issue 46

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Short week this week with US Thanksgiving effectively closing the North American capital markets on Thursday, but a lot got packed into this shortened week.

The big news out of Europe which caused some concerns on Tuesday was the weak German bond auction that took place. Taking a deeper look into the auction itself, shows it was more a function of yield, rather than a concern over the strength of the German balance sheet. In a nutshell, the German bonds were being offered for 1.25%, which is quite low. At the same time investors could buy French bonds for the same term at better than a 2.0% yield – therefore creating the low demand for the German bonds.

This German bond auction was a perfect example of how the headlines make an economic situation look very different than it actually is. The sensationalism of the headline - top economic dog in the EU (Germany) has trouble with its bond offering – just makes for good press. This auction did not cause us any additional concern, and we remain defensive towards Europe.

The commentary from various analysts and portfolio managers, whom we have spoken with, has been cautious as well. Generally, the consensus is that Europe hasn't solved anything yet and that more monies will need to be raised in order to start solving the debt issue.

This week, we also saw the Congressional “Super Committee” fail to come up with any spending cuts. It is surprising that American politicians can't agree on anything going into an election year, which means automatic spending cuts will be implemented, but not until 2013. This again does absolutely nothing in the near term, and will very likely bring the US Federal Reserve back into the forefront, with a potential third round of quantitative easing aimed at the mortgage backed securities market.

Lastly, the third piece of global money supply commentary we saw this week was from China, with a deceleration of their growth in money supply to approximately 15%. While that sounds high (and is very high by our recent history), it is a decline from a 30% growth rate. This may very well result in China beginning to ease up on their lending policies and stop raising bank reserve requirements over the near term. The targeted result would be to put measures in place to keep economic growth at a healthy 8% level.

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## TODAY'S STOCK WATCH

S&P/ TSX Composite	11,462
Dow Jones Indus. Avg.	11,231
S&P	1,158

Canadian/US Dollar	\$0.9536
US/Canadian Dollar	\$1.0491

Gold	\$1688
Silver	\$31.09
Oil	\$96.77

So with all that good news from the previous page, what are we doing for our clients to navigate these more turbulent waters?

Last week we spoke of real estate and yield, and continue look towards that sector for investors, but this week we will focus elsewhere. Within this environment we continue to like the Gold and precious metals, Agriculture and Energy sectors.

Our expectation is that with continued quantitative easing taking place in both North America and Europe, we feel that fair value for gold is above the current range. We are not the only ones who feel the same. The IMF today released data showing that Russia, Colombia and Mexico, among others added a combined 25 metric tons of gold to their reserves.

The markets haven't focused on Agriculture too much lately, but we have been paying attention to the reduction in agricultural production coming from China, and rising food inflation being posted throughout the emerging world. With China now forecasting its imports of food products and grains in the open markets, we see a tremendous opportunity for agricultural infrastructure, distribution and fertilizers. Household names like **Viterra**, **Karnalyte**, and **MBAC Fertilizer**, (just joking on the household name part) are companies that many of our clients already own.

Energy has quietly moved higher over the course of the fall. We are seeing it both in terms of commodity prices, but also drill rig utilization rates also being at high levels. Within the energy sector we have been proponents of Crescent Point Energy for quite some time and we continue to like owning that particular company for clients. In addition to producers, we have become increasingly focused on the services and distribution companies. We have begun looking at companies such as **Calfrac Wells Services** and **Gibson Energy** to diversify our energy holdings, complimenting the traditional oil producers with drilling and service companies as well as water treatment and liquids transport.

We have begun talking with many of you on these sectors; however always feel free to call us first should you have a particular idea that you want us to look at as well.

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