



RBC
Dominion
Securities

THE GEE NOTE

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June/July



MARKET COMMENT

Equity markets have risen despite an escalation in the Greek debt crisis and a number of other ongoing risks. While the pace of

gains in such a short time raises the specter of a near-term pullback, the factors supporting our constructive equity market outlook remain very much in place; a broadening and increasingly robust economic recovery, strong corporate earnings momentum, and low inflation and interest rates.

Economic data continue to support our expectations for a sustainable recovery, with the Bank of Canada raising rates later this year, and the U.S. Federal Reserve towards the end of the year.

The Greek debt crisis has morphed from a near term liquidity issue to a longer term question of sustainability.

On balance, we remain of the view that equity markets should outperform the relatively low hurdles set by cash and bonds. Accordingly, the RBC Investment Strategy committee continues to recommend an overweight allocation to equities, although it was trimmed last quarter to reflect an expected slowing in the pace of future gains, and the risk of a pullback later in the year.

The recent downgrading of the debt of Greece, Portugal and Spain and concerns about the Greek rescue package by the IMF and European Central Bankers continues to roil markets. The 750 billion Euro\$ aid package will run for three years and meet all the funding requirements of PIIGS (Portugal, Iceland, Italy, Greece, Spain) should the need arise. A trading glitch and high volatility has left investors wondering if the worse is yet to come. China is also taken steps to slow their economy to prevent a real estate bubble also contributed to the weakness. Our long term view on equity markets remains constructive. Dramatic though it

may seem we see this as a correction within the bull market. Global economies are growing again, credit is flowing, bond yields remain low and equity markets are now cheap based on long term normalized earnings and valuations.

Stock Selections

Corning \$19.95
(GLW)



Corning manufactures specialty glass and ceramics for display technologies, (Liquid Display glass), Fiber optic cable for telecommunications, ceramic technologies for emissions and pollution control and life science glass products. Retail demand for LCD & LED-TVs is improving, and inventories of glass are tight. Demand for information Technology gear should improve and we expect a strong PC replacement cycle. Corning's latest innovation is "Gorilla Glass" for touch screen glass on hand held devices. Trading at just 10 times 2010 earnings, Corning is a buy with a one year target price of \$26.

NorthWest Healthcare Properties Real Estate Investment Trust \$10.40
(NWH.UN)

Canada's Healthcare Landlord

Northwest Healthcare REIT is Canada's largest owner and operator of Medical Office Buildings with 2.7 million sq ft. in 45 properties throughout B.C.

Alberta, Ontario, Quebec, New Brunswick and Nova Scotia. With over 1100 tenants (none generating more than 4% of annual rent), revenue diversification is strong. Selected tenants include University of Toronto, Shoppers Drug Mart, Medicine Shoppe, and Alberta Health Services. The Medical Office Building sector is relatively recession



proof as patient visits are driven by patient visits due to illnesses or scheduled checkups. Routine examinations are covered by provincial health insurance programs. Northwest healthcare is a buy for growth and income with a current yield of 7.7%. Our one year target is **\$11.25**

Suncor - An Oil Favorite \$32



BP Petroleum's recent oil spill disaster in the Gulf of Mexico has refocused attention to the Oil Sands as a more preferable source of energy. As an integrated oil company that merged with Petro Canada in 2009, Suncor's production has shifted from a 100% oil sands focus to one considerably more diversified. Suncor enjoys a strong balance sheet and cash flow with a series of projects in the oil sands providing further growth. Suncor is a buy for long term capital gains with a one year target of **\$46**.

VIX - How to Play Market Volatility through ETNs and Options

Lately the markets have been quite volatile with 100-200 point swings on the Dow Jones Industrials and similar percentage moves in other indexes. Now you can potentially profit by playing the VIX, the Chicago Board Options Exchange Volatility index. The VIX is calculated from Standard & Poor's 500 Index options, tracks the markets volatility over the next 30 days. How much investors are willing to pay for call and put options on the S&P 500 index is an indication of investor expectations for the market to rise or fall. The more investors are willing to pay for options, the greater their expectations are that prices will move up or down, and that is reflected in the VIX. Currently the VIX is at 33. This means investors expect a 33% annualized movement in the market. If it's at 80, which it reached last year during the sub prime credit crisis, it reflects an expectation that stocks could move as much as 80% on an annualized basis. The VIX is often referred to as the "fear index" because when it rises it generally reflects a negative outlook as volatility rises the potential for a sell off increases.

There are 2 ways of playing the VIX:

1. Buy Call options on the VIX when you expect greater volatility and 'or buy put options when VIX is expected to fall. The VIX options are settled in cash and options are available for each month. The premium you pay is the most you can lose should the VIX go the opposite way.
2. Buy ETNs or Exchange Traded Notes that mimics a basket of Volatility futures on the S&P500. The Ipath S&P 500 VIX Short term Futures ETN (VXX) offers exposure to a daily rolling long position in the first and second month VIX futures with a correlation of .87 to the VIX. It currently trades at \$31; its 52 week high was \$80.27 and a low of \$17.84. There is also an IPath S&P 500 VIX Mid term futures ETN (VXZ) that offers exposure to a daily rolling long position in the fourth, fifth, sixth and seventh month VIX futures contracts. VXZ currently trades at \$92.37

By trading the options and the ETNs one can hedge a portfolio of stocks a various times when volatility is expected to be high.

Turning 71 in 2010?



If you are turning age 71 in 2010, you must convert your RSP, Individual Pension Plan (IPP), Locked-in Retirement Account (LIRA) or Locked-in RSP to one of the many maturity options that are available by the end of this year. Keep in mind that in order to make your RSP contribution for 2010 and claim it on your 2010 tax return, you do not have the extra 60 days after 2010 to make your RSP contribution to your own RSP since you will not have an RSP after 2010 to contribute to – contributions cannot be made to a RIF.

This publication is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This article is for information purposes only. Please consult with a professional advisor before taking any action based on information in this article

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Gee Note via E-mail

Please continue to send us your e-mail addresses.

We received quite a few addresses last month and would like to continue with a distribution list made exclusively of e-mail addresses. In the future, this will also allow us to provide our clients with prompt updates of events affecting their investments in addition to investment research. All e-mail addresses will be kept confidential.

We are aware that not all our clients have access to e-mail; we will still continue to send the Gee Note by mail.

If your e-mail has changed, or if you would like the Gee Note sent to your inbox, please e-mail me at william.gee@rbc.com. Thank you for your response and feedback, and keep the e-mails comin'!!



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July Recommended Stocks

| <i>Canadian Stock</i> | <i>Price</i> | <i>Target</i> | <i>Yield</i> | <i>Current Rating</i> |
|---------------------------|--------------|---------------|--------------|-----------------------|
| Bank of Montreal (BMO) | 62.00 | 73.00 | 4.5 | Buy |
| Bank of Nova Scotia (BNS) | 51.00 | 56.00 | 3.8 | Buy |
| BCE (BCE) | 31.00 | 33.00 | 5.5 | Buy |
| Bombardier (BBD'B) | 5.00 | 6.00 | 2.0 | Buy |
| Cameco (CCO) | 23.50 | 30.00 | 1.2 | Buy |
| Manulife | 18.00 | 23.00 | 2.8 | Buy |
| TD Bank (TD) | 73.00 | 86.00 | 3.6 | Buy |
| Tim Horton's (THI) | 34.00 | 38.00 | 1.4 | Buy |
| Royal Bank (RY) | 53.00 | 63.00 | 2.0 | Buy |
| Talisman (TLM) | 17.00 | 24.00 | 1.4 | Buy |
| Research in Motion (RIM) | 61.00 | 120.00 | | Buy |
| Capital Power (CPX) | 22.80 | 23.00 | 5.5 | Hold |
| Suncor (SU) | 34.00 | 46.00 | 1.18 | Buy |

| <i>U.S. Stocks</i> | <i>Price</i> | <i>Target</i> | <i>Yield</i> | <i>Current Rating</i> |
|-------------------------|--------------|---------------|--------------|-----------------------|
| Bank of America (BAC) | 15.60 | 21.00 | 0.3 | Buy |
| Microsoft (MSFT) | 29.00 | 33.00 | 1.7 | Buy |
| Chesapeake Energy (CHK) | 23.00 | 33.00 | 1.3 | Buy |
| Corning (GLW) | 18.00 | 26.00 | | Buy |
| Citigroup (C) | 4.00 | 6.00 | | Buy |
| Ford (F) | 11.25 | 16.00 | | Buy |

Prices as of 06/23/2010, Recommendations subject to change without notice
Targets, Yields and Ratings provided by RBC Capital Markets

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FIXED INCOME - WHAT'S YOUR INTEREST?

| BONDS | COUPON | YIELD | PRICE | MATURITY | DETAILS | |
|--------------------------------|--------|---------------|---------------|----------------|----------------|----------------|
| STRIP BONDS | | 1 YEAR | 2 YEAR | 3 YEAR | 4 YEAR | 5 YEAR |
| Best Rates | | 1.60% | 2.10% | 2.70% | 3.10% | 3.30% |
| SHORT TERM GOV'T STRIPS | | | | 30 DAYS | 60 DAYS | 90 DAYS |
| Best Rates | | | | | | 0.50% |
| BANKER'S ACCEPTANCE | | | | 30 DAYS | 60 DAYS | 90 DAYS |
| Minimum \$50,000 | | | | n/a | n/a | 0.50% 0.80% |
| GIC'S | | 1 YEAR | 2 YEAR | 3 YEAR | 4 YEAR | 5 YEAR |
| Best Rates | | 1.75% | 2.60% | 3.10% | 3.40% | 4.00% |
| US MONEY MARKET | | | | 60 DAYS | 90 DAYS | |
| MINIMUM \$50,000 | | | | | | |
| U.S. T-Bill, U.S. Money Market | | | | n/a | n/a | |
| INCOME TRUST | | | | PRICE | YIELD | |
| NorthWest Healthcare (NWH.UN) | | | | \$11.00 | 7.25% | |
| PREFERRED SHARES | | PRICE | YIELD | TERMS | | |
| | | | | | | |

RATES SUBJECT TO CHANGE WITHOUT NOTICE

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RBC CM Strategy Focus List

The Strategy Focus List selects stocks that are expected to outperform based on fundamental, technical, and quantitative analysis.

Summer 2010

Focus List Stocks Symbol Closing Price

June 23, 2010

Current Performance

| | Symbol | 31-May-10 | 11-Jun-10 | Change |
|-----------------------------------|--------|-----------|-----------|--------|
| ARC Energy Trust | AET.UN | 20.98 | 20.39 | -2.81% |
| Bank of Montreal | BMO | 62.15 | 61.12 | -1.66% |
| Barrick Gold Corp. | ABX | 44.15 | 44.56 | 0.93% |
| BCE Inc. | BCE | 30.70 | 31.28 | 1.89% |
| Brookfield Asset Management Inc. | BAM.A | 26.70 | 24.69 | -7.53% |
| Cdn. Natural Resources Ltd. | CNQ | 37.25 | 37.26 | 0.03% |
| Cdn. Pacific Railway Ltd. | CP | 58.88 | 59.48 | 1.02% |
| Enbridge Inc. | ENB | 47.62 | 48.78 | 2.44% |
| EnCana Corporation | ECA | 33.24 | 34.63 | 4.18% |
| Goldcorp Inc. | G | 45.49 | 45.16 | -0.73% |
| Metro Inc. | MRU.A | 43.50 | 42.60 | -2.07% |
| National Bank of Canada | NA | 57.94 | 57.24 | -1.21% |
| Potash Corp. of Saskatchewan Inc. | POT | 107.14 | 103.91 | -3.01% |
| Research in Motion Ltd. | RIMM | 63.55 | 61.39 | -3.40% |
| Royal Bank of Canada | RY | 55.12 | 53.00 | -3.85% |
| Sun Life Financial Inc.* | SLF | 30.27 | 29.89 | -1.26% |
| Suncor Energy Inc.* | SU | 32.50 | 33.75 | 3.85% |
| Teck Resources Ltd. | TCK.B | 36.54 | 34.93 | -4.41% |
| Thomson Reuters Corp. | TRI | 37.75 | 37.91 | 0.42% |
| Toronto Dominion Bank (The) | TD | 71.75 | 70.43 | -1.84% |
| FOCUS List Price Return | | | | -0.95% |
| S&P/TSX | TSX | 11,763 | 11,667 | -0.82% |

RBC Dominion Securities Inc.

June 23, 2010

This report is priced as of market close

June 18, 2010