

AUGUST 2010

Month-In-Review

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PRIVATE WEALTH MANAGEMENT GROUP

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What Moved the Markets

The S&P/TSX Composite advanced 1.7% in August to finish at 11,913.86, supported by M&A activity but balanced by concerns over slowing economic growth. In the US, the economy continued to show weakness, increasing fears of a second half slowdown. The S&P 500 and Dow both lost ground, down 4.7% and 4.3% respectively. Both the Bank of Canada and the Federal Reserve kept rates unchanged in August, but the Fed committed to maintaining the size of its balance sheet in order to support a low rate environment. This contributed to one of the strongest months on record for the US 10-year treasury, which gained more than 15% on the month. Crude retreated 8.9% as inventories increased throughout the month, while natural gas bore the brunt of economic concerns losing more than 20%, despite much hotter than normal temperatures in much of the US. Both gold and silver were strong performers for the month, gaining 5.6% and 7.4% respectively, as investors sought relative safe haven investments.

Earnings from Canadian banks were mixed, with **CIBC (CM)** and **National Bank (NA)** beating expectations, while both **Royal Bank (RY)** and **Bank of Montreal (BMO)** fell short. The lifecos were amongst the poorest performing sub-groups in August, with both **Sun Life (SLF)** and **Manulife (MLF)** reporting disappointing results largely driven by the decline in both equity markets and interest rates over the past several months. Shares of **Magna (MG)** gained 10%, as the company reported strong results and finalized the collapse of its dual share structure. In the US, tech stocks were negative as **Intel (INTC)** guided lower, citing economic weakness while **Cisco (CSCO)** met estimates, but disappointed on revenues. **Kraft (KFT)**, **Walt Disney (DIS)**, and **Dell (DELL)** were among those companies that exceeded analyst estimates for the quarter.

Germany reported stronger than expected 2nd quarter GDP growth, as the weakness in the euro drove a sharp rise in exports. Meanwhile, US existing home sales fell to a 15-year low and combined with poor employment figures suggested a challenging backdrop for the US economy. Fed Chairman Ben Bernanke, in a widely followed speech pointed to 2011 as the year in which the economy would regain traction. In Asia, Japan's Minister of Finance threatened intervention to stop the yen's appreciation against the dollar as the yen hit 15 year highs.

However, by month end, no intervention had as of yet taken place.

In Canadian Mergers & Acquisition news, **BHP Billiton (BHP)** the world's largest natural resources company,

made an unsolicited and ultimately hostile US\$130 per share bid for the **Potash Corp (POT)**. **Kinross Gold (K)** made a friendly bid for **Red Back Mining (RBI)** for \$7.1 billion, while **Agrium Ltd. (AGU)** purchased Australian wheat exporter **AWB Ltd. (AWB)** for \$1.2 billion.

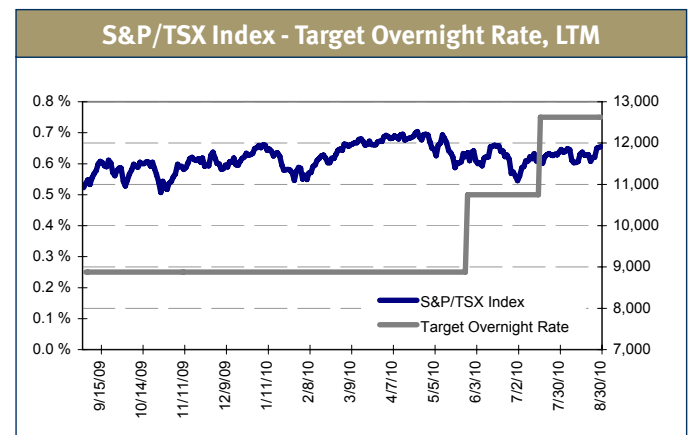
Number Crunching

Equity Indices	Index Level	Month	YTD*
S&P/TSX Composite Index	11,913.86	1.7%	1.4%
Dow Jones Industrial Average	10,014.72	-4.3%	-4.0%
S&P 500 Index	1,049.33	-4.7%	-5.9%
NASDAQ Composite Index	2,114.03	-6.2%	-6.8%
MSCI World	1,080.70	-3.9%	-7.5%
MSCI EAFE	1,425.72	-3.3%	-9.8%
MSCI World TR	3,746.11	0.3%	-1.9%

S&P/TSX Sector Performance	Index Level	Month	YTD*
S&P/TSX Financials	1,530.82	-3.7%	-2.4%
S&P/TSX Energy	2,670.74	-2.0%	-6.4%
S&P/TSX Materials	3,515.75	17.2%	16.4%
S&P/TSX Industrials	1,192.64	0.7%	5.2%
S&P/TSX Consumer Discretionary	998.07	0.7%	11.0%
S&P/TSX Telecom Services	830.79	5.2%	14.5%
S&P/TSX Information Technology	189.10	-16.7%	-27.4%
S&P/TSX Consumer Staples	1,569.46	4.1%	1.5%
S&P/TSX Utilities	1,739.23	0.6%	2.2%
S&P/TSX Healthcare	447.88	12.0%	38.0%

Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	1.0656	3.5%	1.2%
Euro	1.3512	0.5%	-10.4%
British Pound	1.6355	1.2%	-4.0%
Japanese Yen (100)	1.2657	6.3%	11.8%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$71.92	-8.9%	-9.4%
Natural Gas (per million btu)	\$3.82	-22.5%	-31.5%
Gold (per ounce)	\$1,247.45	5.6%	13.7%
Silver (per ounce)	\$19.35	7.4%	14.7%
Copper (per pound)	\$3.37	2.1%	1.1%
Nickel (per pound)	\$9.36	-2.1%	11.9%
Aluminum (per pound)	\$0.93	-5.6%	-7.0%
Zinc (per pound)	\$0.94	2.0%	-19.3%



*YTD return data is simple price return. All indices are in local currency unless otherwise noted. Source: Bloomberg



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