

JUNE 2010

Month-In-Review

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What Moved the Markets

North American markets moved lower in June, with the S&P/TSX Composite declining by 4.0% to finish the month at 11,294.42. Eurozone concerns, coupled with a disappointing U.S. Consumer Confidence report (52.9 vs. consensus of 62.5) and a downward revision of China's April Leading Economic Index (LEI) contributed to the downturn in the equity markets. The S&P 500 and the Dow fell by 5.4% and 3.6% respectively. On June 1st, the Bank of Canada raised its target overnight rate by 25 basis points to 0.50%, while the U.S. Fed kept its fed funds rate unchanged during the month. Crude ended the month up 2.2%, buoyed by data from the Department of Energy showing an unexpected decrease in crude inventories near month's end. Global growth concerns weighed on base metals prices, with copper and nickel losing 6.2% and 7.5%, respectively. Gold bullion set new closing highs in June, touching \$1,256.80 before settling at \$1,242.25, up 2.1% month on month.

On the Canadian earnings front, **Bank of Nova Scotia (BNS)**, apparel maker **Lululemon (LULU)** and **Bombardier (BBD.B)** reported better-than-expected earnings. **Research in Motion (RIM)** beat analysts' consensus earnings estimate but disappointed on revenue, sending its shares tumbling in after-market trading. **Shaw Communications (SJR.B)** reported in-line results for its fiscal third quarter. The tail end of earnings season in the U.S. was marked by below-consensus quarterly profit reported by **Best Buy (BBY)** and **Walgreens (WAG)**, while **Nike (NKE)** missed analysts' expectations for revenue. Citing rising pension costs, **Fedex (FDX)** issued full-year profit guidance below the consensus estimate. Investment bank **Goldman Sachs (GS)** cut its ratings on several offshore drillers with operations in the Gulf of Mexico, including **Transocean (RIG)**.

As oil continued to flow from its Macondo well in the Gulf of Mexico, **British Petroleum (BP)** acceded to the White House's demand that it create an escrow account to cover damages from the spill, placing \$20 billion into the account. In a marathon legislative session, a joint House and Senate committee put the finishing touches on the U.S. Financial Reform bill. News regarding the Euro zone's fiscal issues was mixed, with successful bond auctions by Ireland and Spain tempered by Moody's downgrade of Greek debt to below investment grade

and negative comments from Hungarian officials on the country's fiscal position. In Asia, the People's Bank of China reported it would end its policy of a fixed Yuan-USD exchange rate.

In Canadian M&A news, **CIBC (CM)** announced it would purchase Citigroup's MasterCard business, valued at roughly \$2.1 billion. Shares of drugmaker **Biovail**

(BVF) gained 38.0% after the firm announced it would merge with U.S.-based **Valeant Pharmaceuticals (VRX)**. Conventional oil and natural gas producer **Arc Energy (AET.UN)** purchased **Storm Exploration (SEO)** for ~\$680 million. In the U.S., petroleum refiner and marketer **Sunoco (SUN)** announced plans to break off its coal-producing division. Sunoco shares finished up 16.4% for the month.

Number Crunching

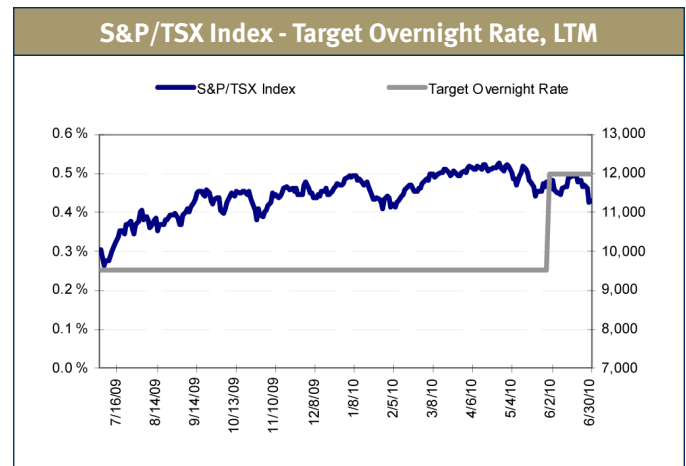
Equity Indices	Index Level	Month	YTD*
S&P/TSX Composite Index	11,294.42	-4.0%	-3.8%
Dow Jones Industrial Average	9,774.02	-3.6%	-6.3%
S&P 500 Index	1,030.71	-5.4%	-7.6%
NASDAQ Composite Index	2,109.24	-6.5%	-7.0%
MSCI World	1,041.32	-3.6%	-10.9%
MSCI EAFE	1,348.11	-1.2%	-14.7%
MSCI World TR	3,453.89	-3.4%	-9.6%

S&P/TSX Sector Performance	Index Level	Month	YTD*
S&P/TSX Financials	1,501.33	-5.5%	-4.3%
S&P/TSX Energy	2,621.81	-4.0%	-8.2%
S&P/TSX Materials	3,044.46	-2.3%	0.8%
S&P/TSX Industrials	1,117.33	-2.5%	-1.5%
S&P/TSX Consumer Discretionary	956.08	-2.4%	6.4%
S&P/TSX Telecom Services	776.11	-0.2%	6.9%
S&P/TSX Information Technology	207.23	-14.6%	-20.5%
S&P/TSX Consumer Staples	1,395.70	-4.0%	-9.7%
S&P/TSX Utilities	1,621.19	-0.5%	-4.7%
S&P/TSX Healthcare	393.58	12.7%	21.2%

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

Currencies (in Canadian Dollars)	Exchange	Month	YTD*
US Dollar	1.0639	1.9%	1.0%
Euro	1.3019	1.3%	-13.7%
British Pound	1.5900	4.7%	-6.7%
Japanese Yen (100)	1.2030	5.1%	6.3%

Commodities (US\$)	Spot Price	Month	YTD*
Crude Oil (WTI per barrel)	\$75.63	2.2%	-4.7%
Natural Gas (per million btu)	\$4.62	6.3%	-17.2%
Gold (per ounce)	\$1,242.25	2.1%	13.2%
Silver (per ounce)	\$18.62	0.3%	10.3%
Copper (per pound)	\$2.94	-6.2%	-11.7%
Nickel (per pound)	\$8.93	-7.5%	6.6%
Aluminum (per pound)	\$0.89	-3.1%	-11.2%
Zinc (per pound)	\$0.81	-7.4%	-30.0%



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