



Forecast without Fear

January 26, 2010

RAYMOND JAMES





Disclaimer

the judgment of the author

fully informed

is
not

Potential investors should

transactions contrary to the conclusions in this report.

engage in



Forecasting

	Then	Forecast	Actual
Cda 10 Year Bond	3.07%	3.93%	3.40%
Gold	\$807.30	\$1,362.00	\$1,097.10
Oil	\$43.54	\$65.25	\$75.27
C\$	7973	8695	9530
TSX	8879.61	9941.1	11384.54
S&P 500	843.74	1049.6	1100.47
Long: SAM-V	\$0.10		\$0.19
Short: CAB-N	\$5.68		\$16.48

What I Did On Summer Holidays



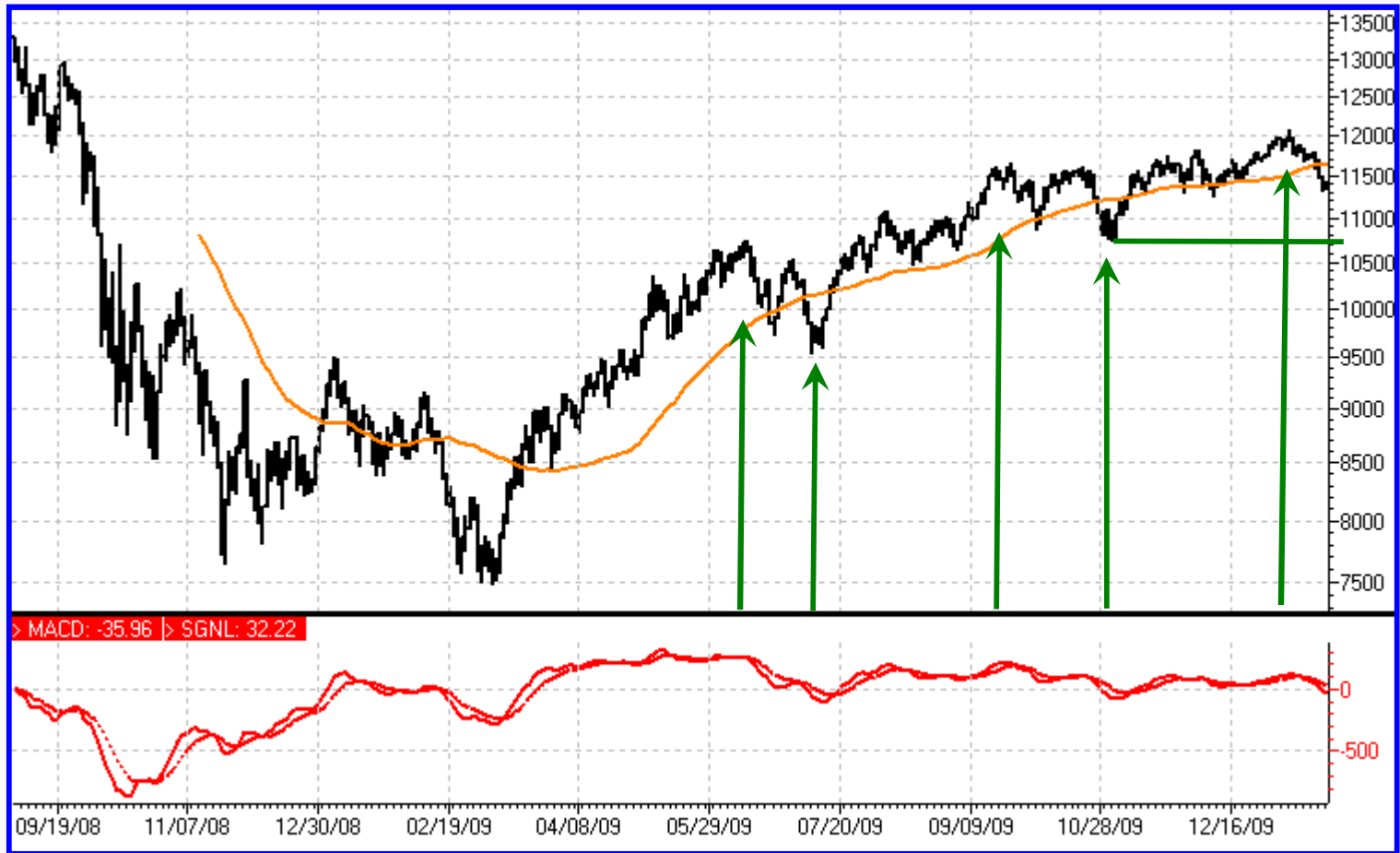
RAYMOND JAMES



Key Points

- “Is the global economy recovering?” is not the right question: it is recovering.
- The right question is: how long and how strong?
- “Are we in a bull market?” is not the right question: we are.
- The right question is “what will keep it going, how will we identify increasing risk?”

S&P/TSX Composite Index



Source: Thomson Reuters

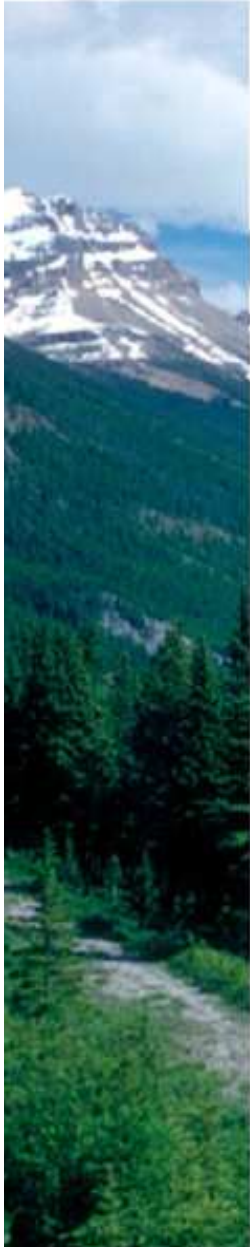
RAYMOND JAMES



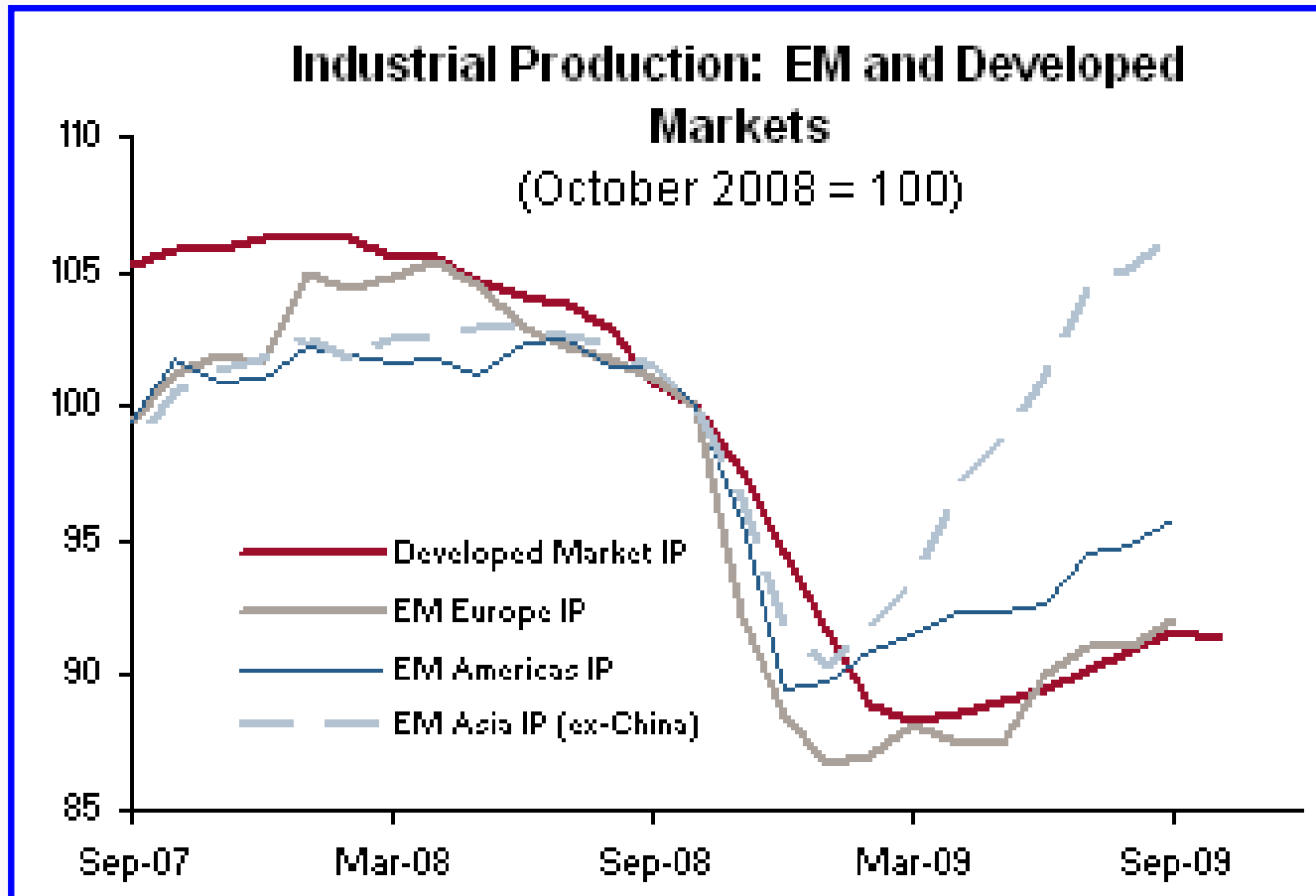
Catalysts

- Credit spreads normalized.
- Volatility (VIX) tamed.
- Risk appetite remains in the neutral zone.

- New orders rise.
- Industrial production follows.



Industrial Production



Source: Action Economics



Summary

- Global economies have stabilized, policy responses have avoided a systemic failure of the financial system, eliminated possibility of a global depression and deflationary spiral.
- Still the current drivers of demand – stimulus programs – are temporary; private spending and investment must increase to avoid a double dip recession.
- Growth will be tempered by weak G7 consumers, the need to repair balance sheets.
- A major consequence of this recession is the acceleration of a major global economic realignment.
- Canadian exports challenged by halting growth in the U.S.; longer term structural changes to the global economy mean that Canada needs to find new markets and rely less on the U.S. economy.



Sources of Growth

- Watch for continued stabilization of external drivers.
 - GEM demand.
 - U.S. auto (diminishing) and housing.
- Domestic infrastructure spending.
- Business surveys improve and should turn into real activity.
- U.S. investment in equipment picks up in 1H10;
 - Technology replacement cycles.
- U.S. inventory destocking changes to restocking helps Canadian exports.
- Canadian housing; pent up demand after paralysis during credit crisis.



Global Economic Assumptions

	Select Forecast Metrics		
	4Q09	2009	2010
Canada			
GDP	1.1%	-2.5%	2.9%
CPI, Core	1.6%	1.8%	1.7%
Bank Rate	0.25%	0.25%	0.25% rising to 1.5%
Unemployment Rate	8.5%	8.3%	8.1%
U.S.			
GDP	4.4%	-2.4%	3.0%
CPI, Core	1.6%	1.9%	1.6%
Fed Funds Rate	0.1%	0.2%	0.2%
Unemployment Rate	10.1%	9.3%	10.1%
Global GDP			
Global	n/a	-3.7%	3.4%
Eurozone	n/a	-4.0%	1.1%
Japan	n/a	-5.6%	1.5%
Non-Japan Asia	n/a	2.9%	6.5%
China	n/a	8.2%	9.1%
Latin America	n/a	-2.1%	3.2%

Private Demand

U.S. Factory Goods Data						
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Factory Orders	0.9%	1.4%	-0.8%	1.6%	0.8%	1.1%
YY	-22.2%	-21.8%	-19.5%	-15.0%	-10.4%	-1.6%
Durables	-1.1%	4.8%	-2.7%	2.2%	-0.7%	0.2%
YY	-24.4%	-20.0%	-19.5%	-16.5%	-11.6%	-6.0%
NDCG *	0.2%	7.0%	-7.0%	3.4%	0.8%	-1.2%
NDCGEA **	3.8%	-1.3%	-1.0%	2.9%	-2.1%	3.6%

-40% Q106 Q306 Q107 Q307 Q108 Q308 Q109 Q309 -3.0%

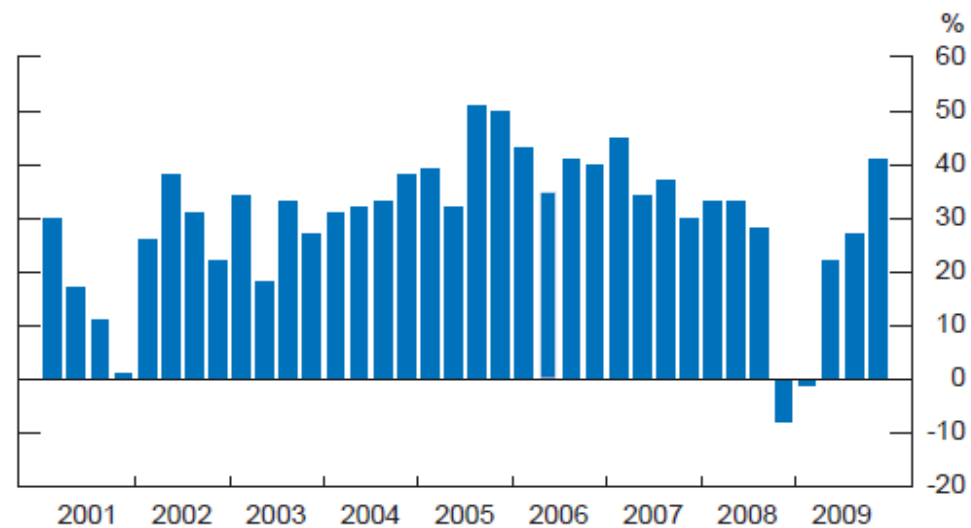
Source: Action Economics

Business Surveys

Over the next 12 months, is your firm's sales volume expected to increase at a greater, lesser, or the same rate as over the past 12 months?

Over the next 12 months, is your firm's investment spending on M&E expected to be higher, lower, or the same as over the past 12 months?

Over the next 12 months, is your firm's level of employment expected to be higher, lower, or the same as over the past 12 months?



Higher: 54%

Same: 32%

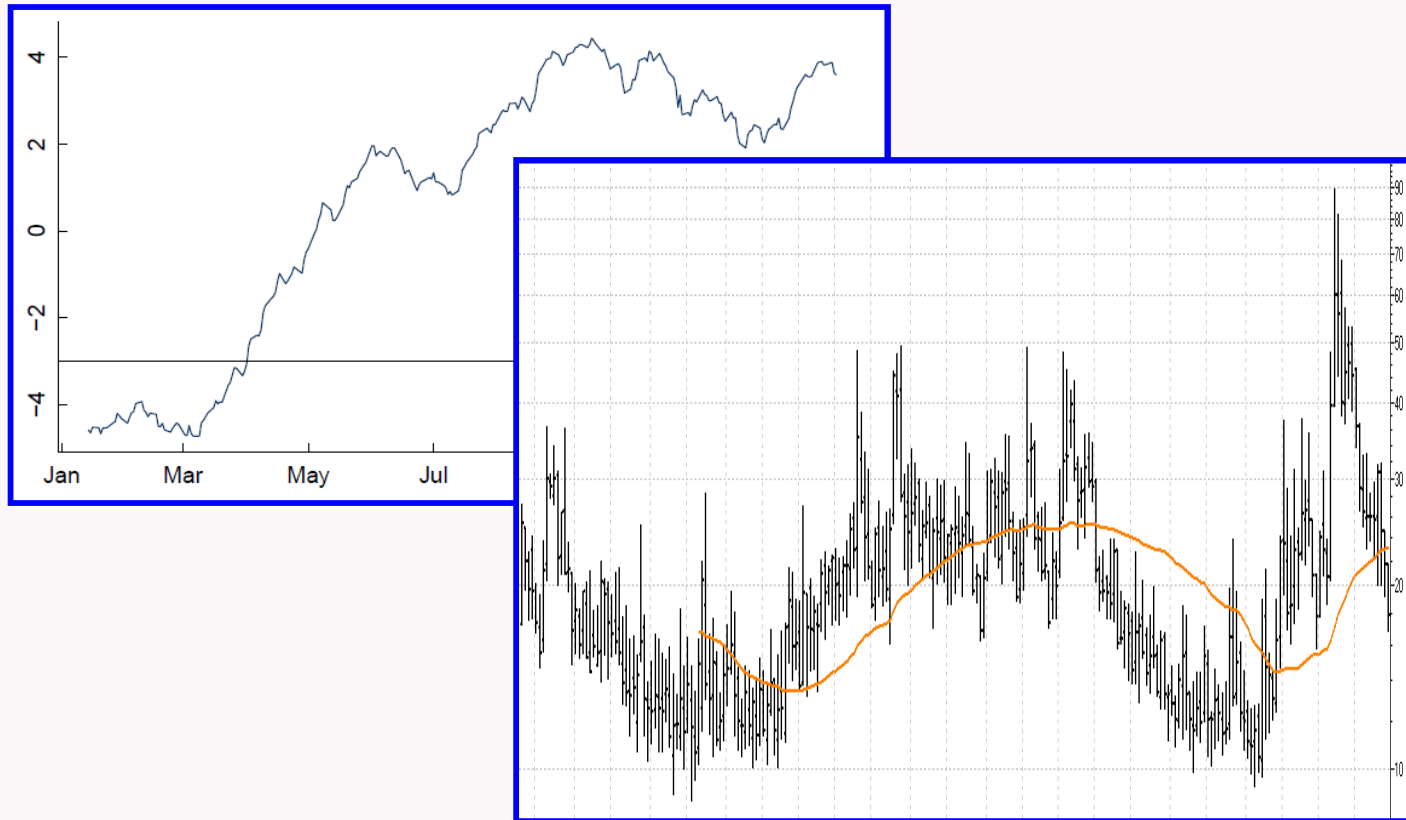
Lower: 14%

* Percentage of firms expecting higher levels of employment minus the percentage expecting lower levels

Source: Bank of Canada



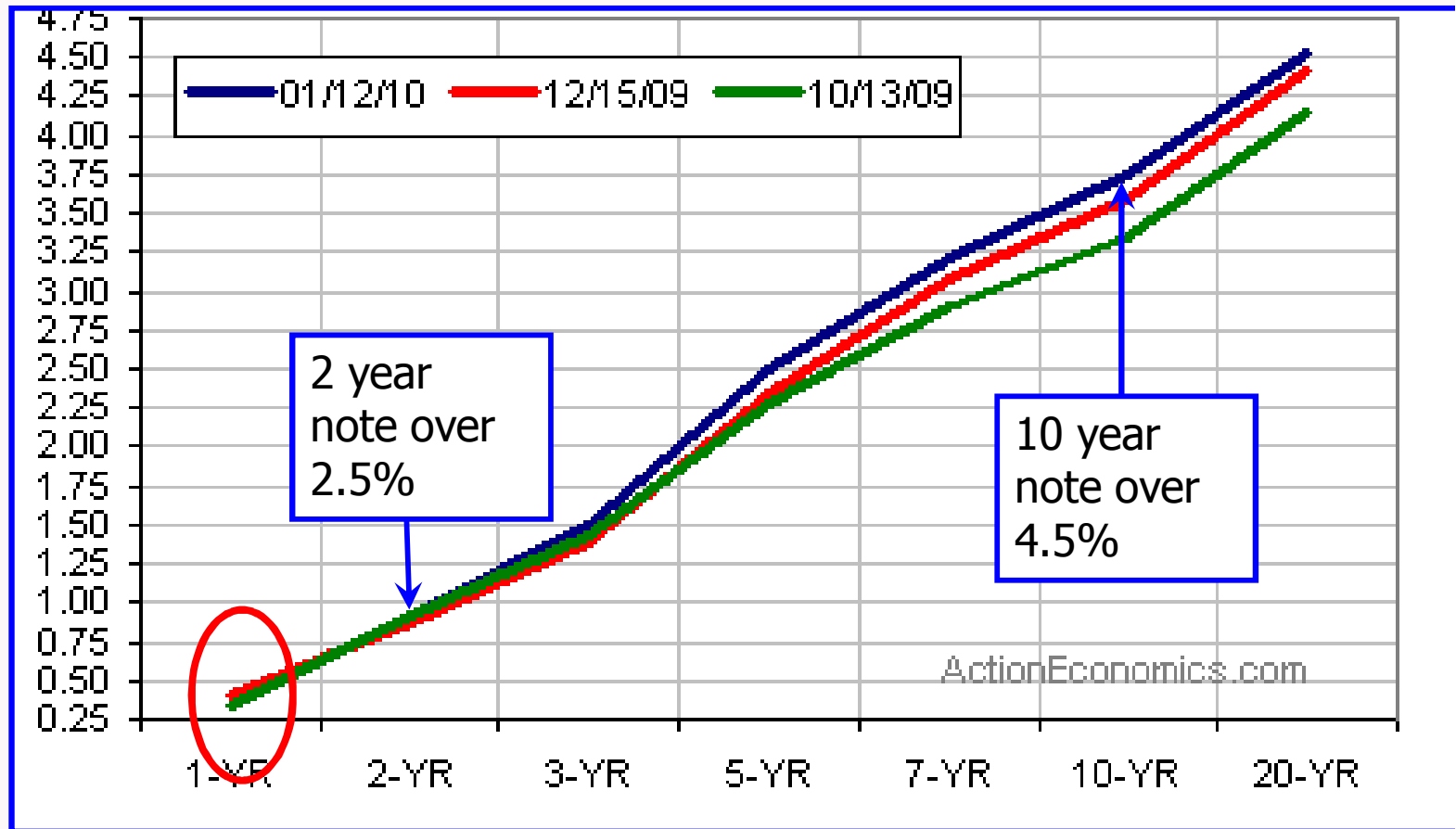
Risk Appetite, Complacency



Source: Credit Suisse, Thomson Reuters

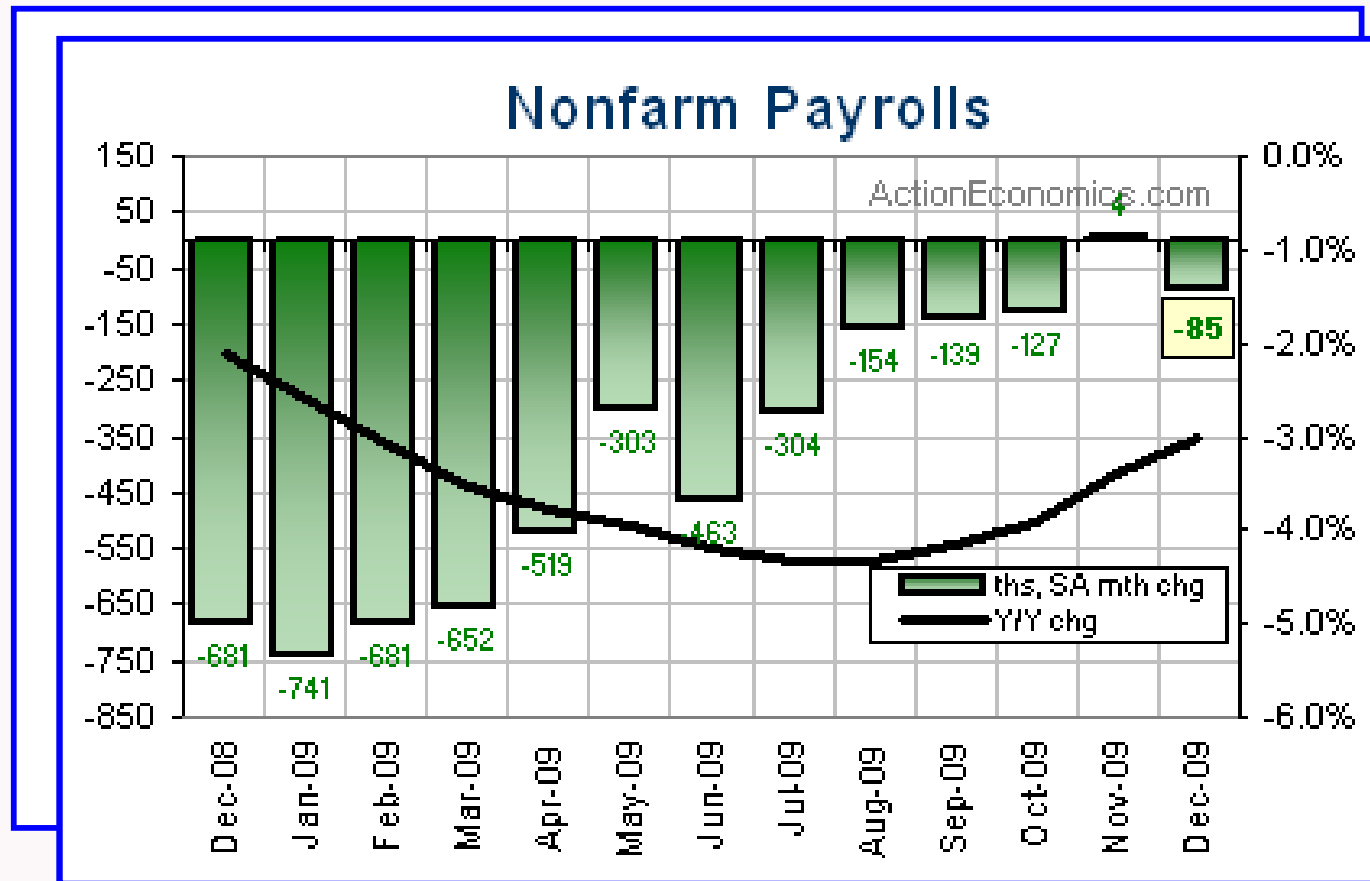


U.S. Yield Curve



Source: Action Economics

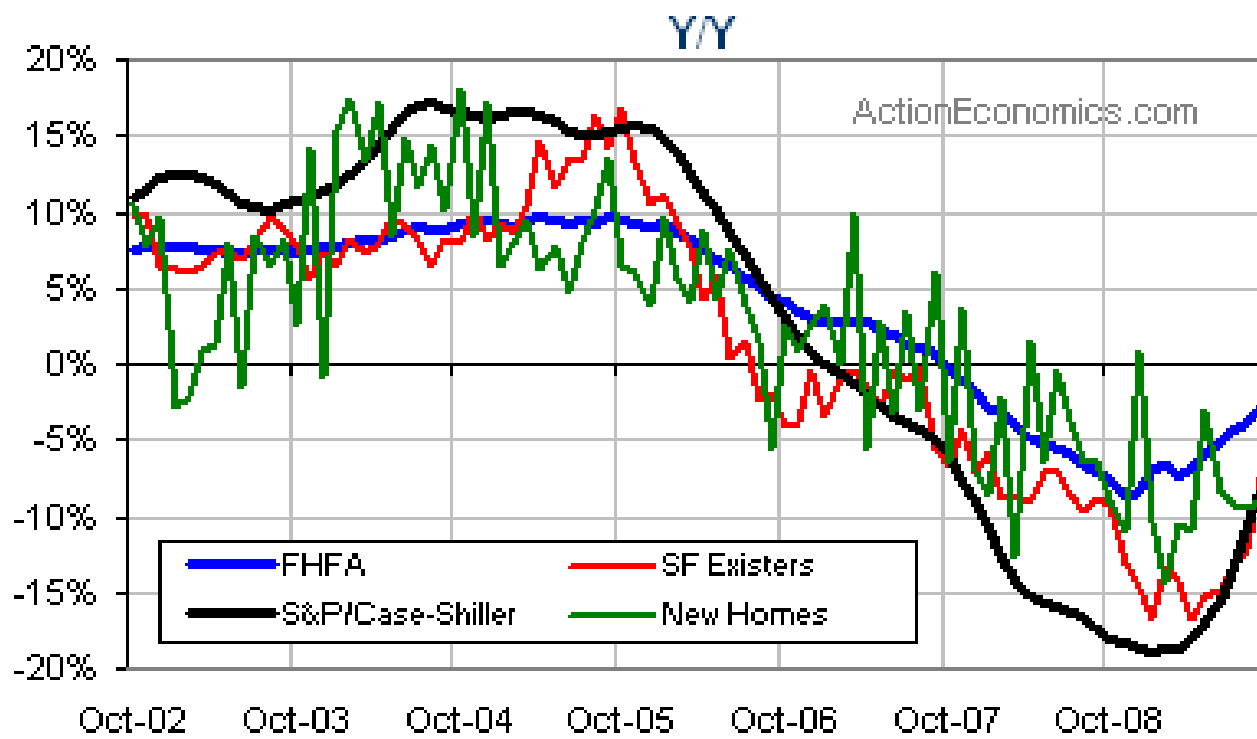
Employment



Source: Action Economics

U.S. Housing

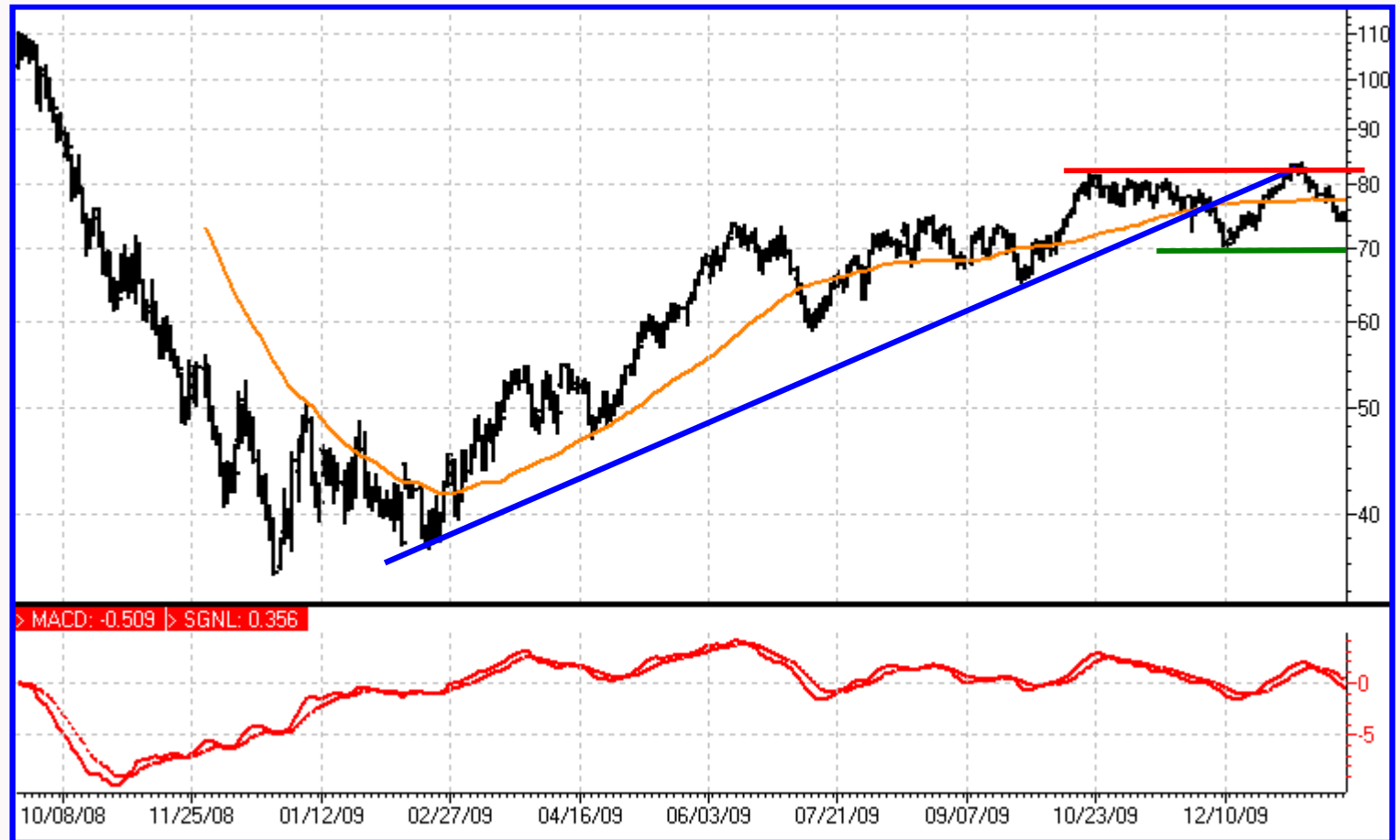
Various Home Price Measures



Source: Action Economics



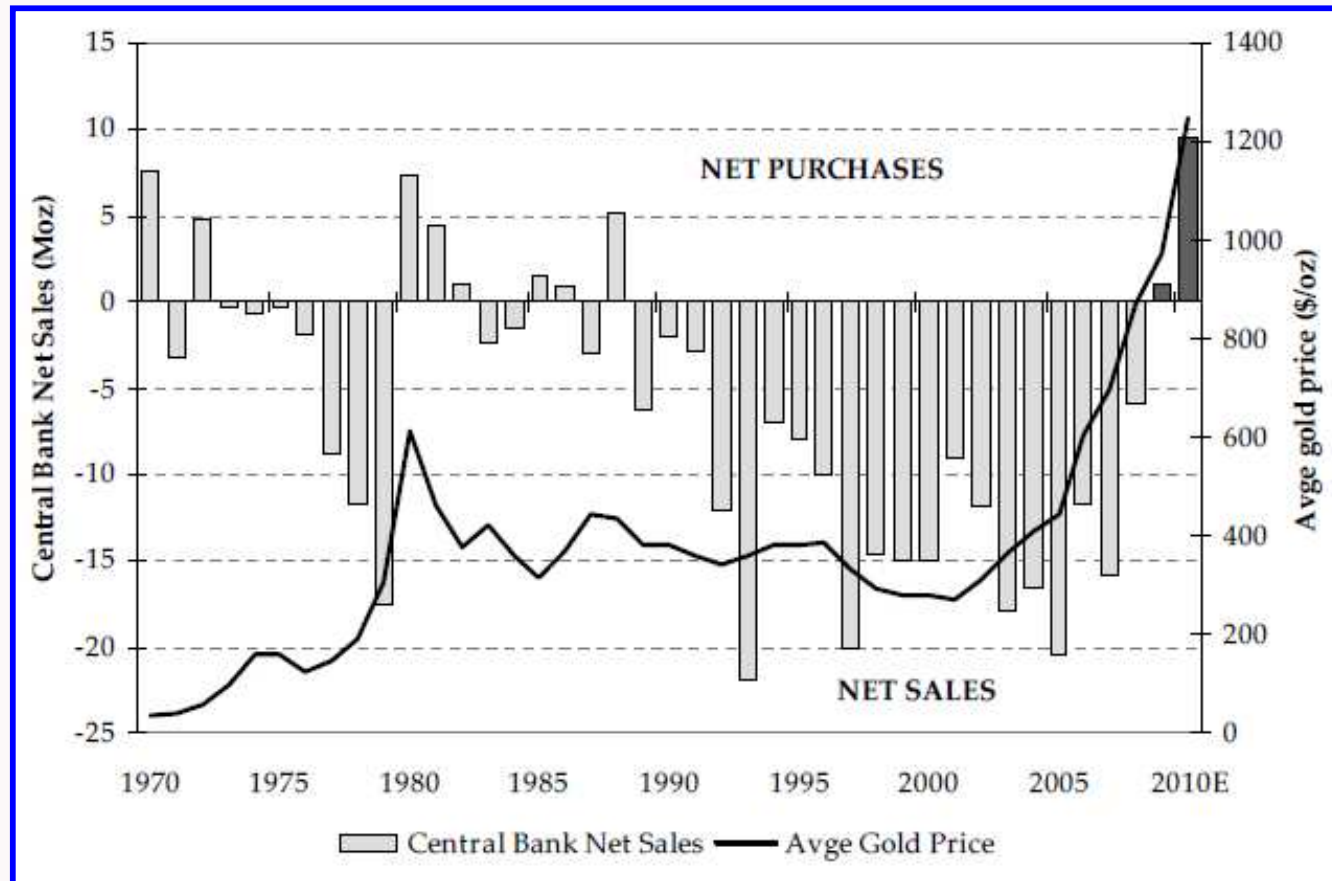
Oil



Source: Thomson Reuters



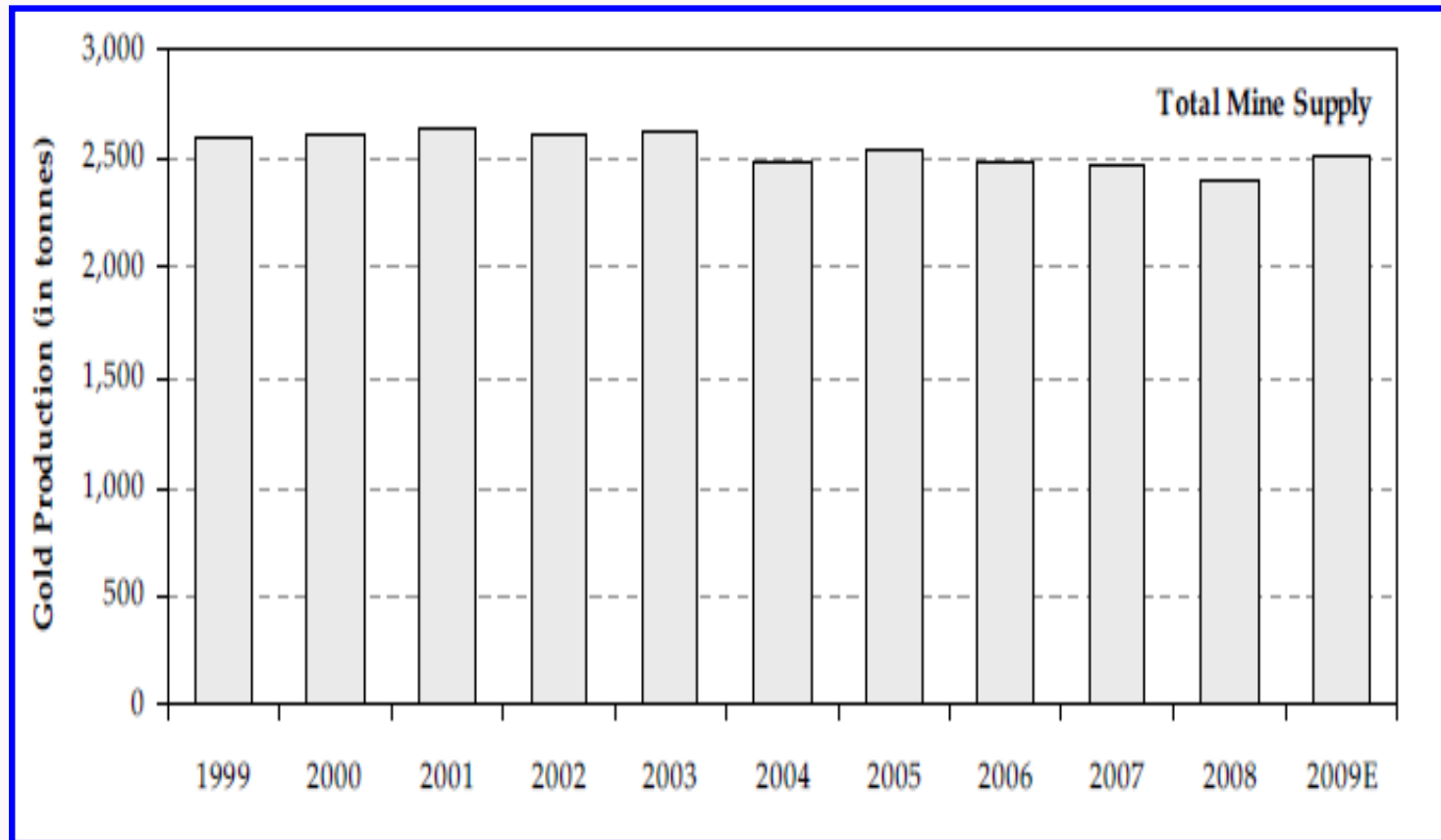
Gold



Source: Raymond James Ltd.



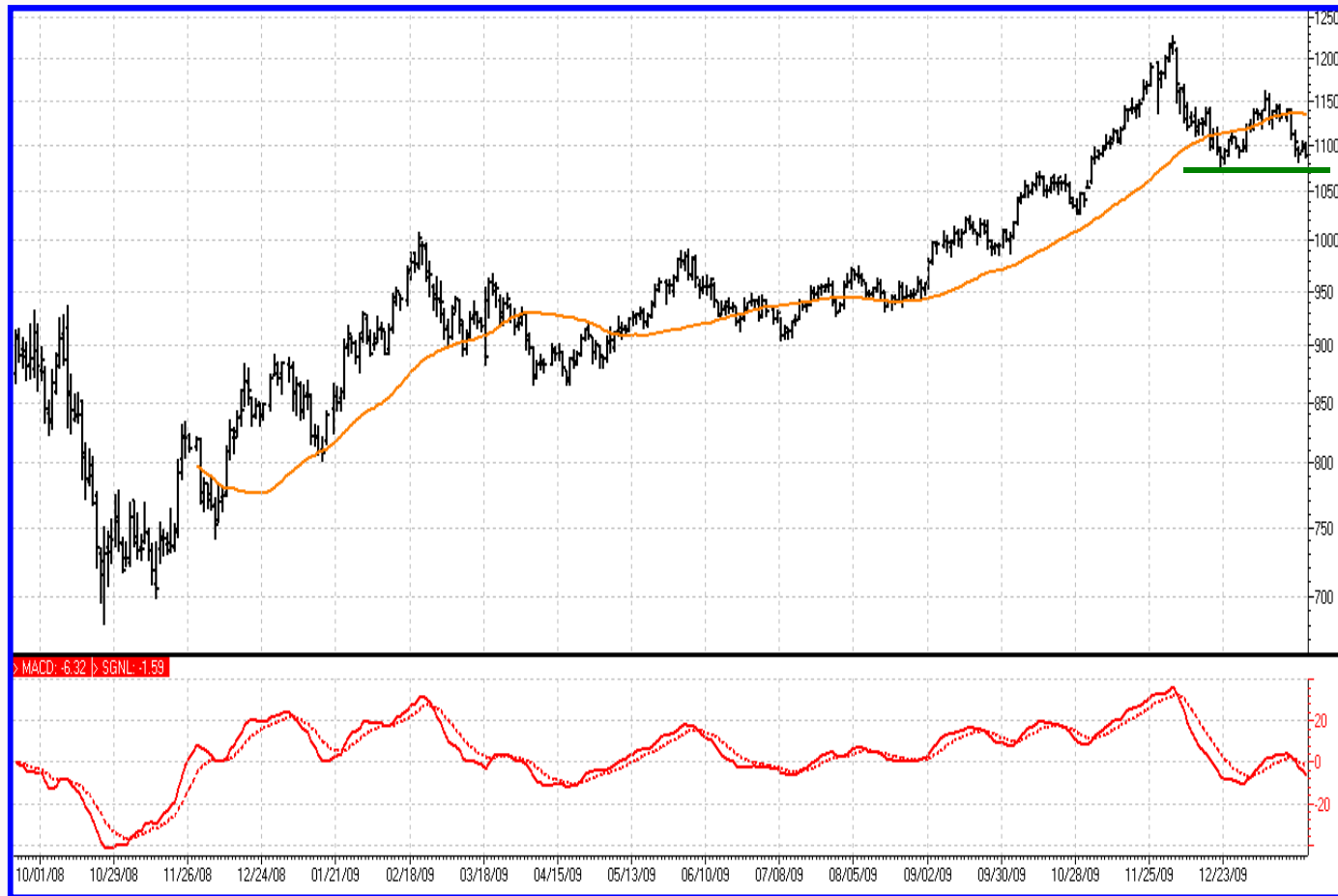
Gold



Source: GFMS, Raymond James Ltd.



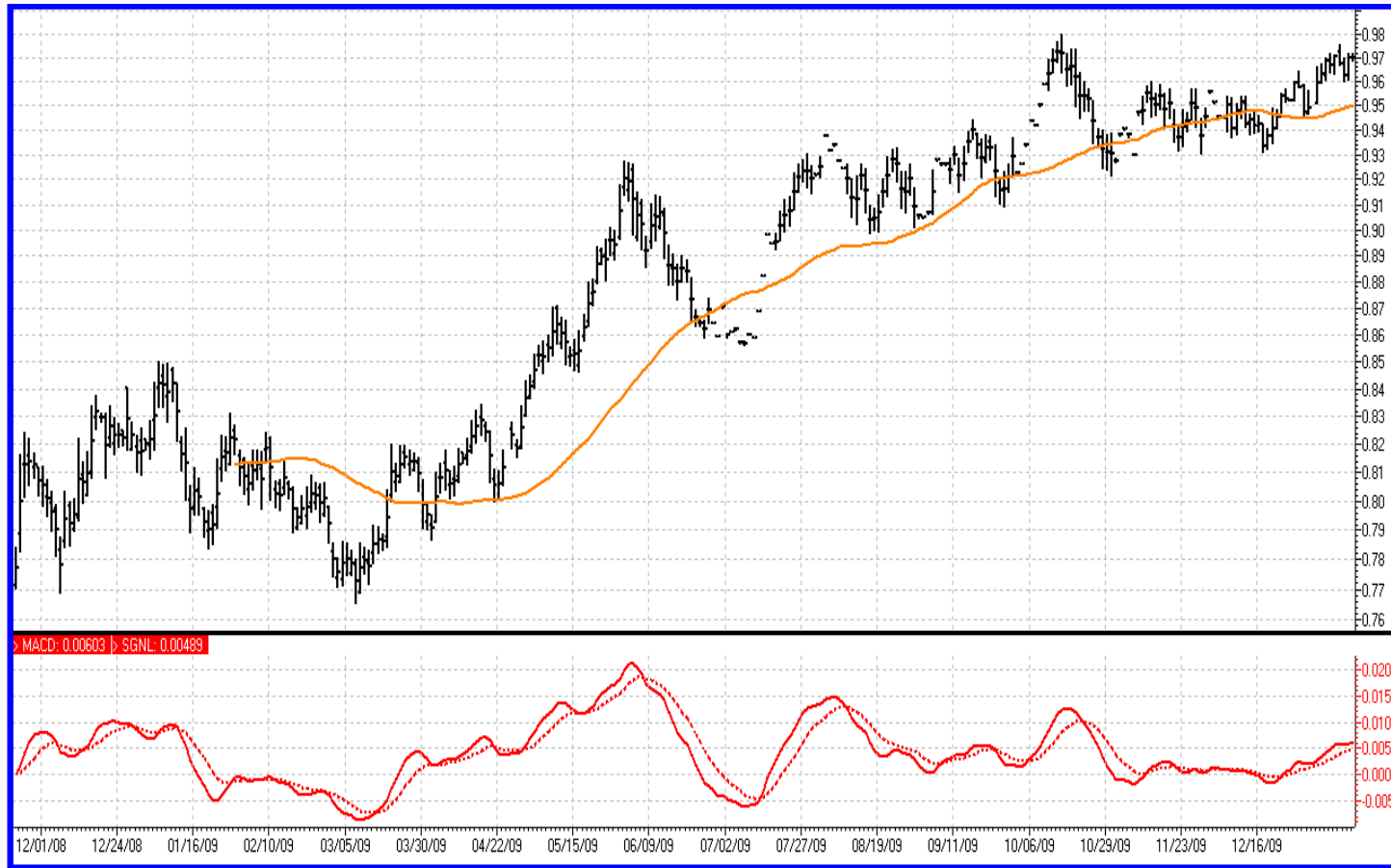
Gold



Source: Thomson Reuters



Loonie



Source: Thomson Reuters



The Fearless Forecast

S&P/TSX Composite Index	13,500
Gold	US\$1419.00
Oil	US\$100.00
CADUSD	US\$1.05
10 Year Canadas	3.89%



Forecast without Fear

January 26, 2010

RAYMOND JAMES

