

December Review

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Market volatility endured throughout the month of December as the Euro-zone debt crisis continued to weigh on investor sentiment. While concerns over Europe provided the impetus for heavy selling in the first half of December, signs of a strengthening U.S. economy helped to alleviate some fear over a slowing global economy. Early in the month, Euro leaders met at a summit meeting on December 9th to negotiate a European treaty in an effort to contain the sovereign debt crisis. Twenty-six of the 27 European Union leaders agreed to pursue stricter budget rules for the single currency area and also to have euro zone states and others provide up to 200 billion euros in bilateral loans to the International Monetary Fund (IMF) to help tackle the crisis. Investors, and debt rating agencies, would view the efforts as insufficient. In days following the summit, Moody's Investors Service said that it would review its ratings on all European Union sovereign credit in the first quarter of 2012, while also noting the outcome of the summit by European policymakers offered few new measures to resolve the region's debt crisis. Speculation over the possibility of a euro bond would be vetoed by German Chancellor Angela Merkel, as during a speech to parliament in Berlin mid month, she would reiterate her opposition to euro bonds as a tool for dealing with the euro region's debt crisis. She also went on to say that there's no looking back after the European summit, and that "There are no simple and fast solutions." In addition, some investors speculated the Federal Reserve would hint at further easing measures during a rate announcement on December 13th, which would not come to fruition and lead to further market weakness. Investor confidence would also be jolted by slowing export growth in China, rising 13.8 percent YoY in November, the slowest pace since 2009. Oversold markets would rebound as investors scooped up cheap equities and as attention shifted away from Europe. Towards the end of the month, a better than expected U.S. Housing Starts print would bolster equity buying. Starts would increase 9.3% to a 685,000 annual rate, the most since April 2010. U.S. jobs numbers would continue to show signs of improvement as Initial Jobless Claims fell as low as 364,000 while University of Michigan Confidence rose to 69.9 in the month of December up from 64.1 at the end of November.

The S&P/TSX Composite finished the month down 2.0%, while closing out 2011 down 11.1%, underperforming major indices south of the border. Underperformance of the S&P/TSX Composite can be attributed to weakness in commodity prices which suffered due to fears of a slowing global economy. During the month, WTI crude oil dropped 1.5%, copper fell 3.4%, while gold slipped 10.5%. The Energy and Materials sectors dropped 0.7% and 11.6%, respectively, which make up ~48% of the overall index. Over the course of 2011, the Information Technology sector was the worst performer, down 52.6% due to the collapse of Research in Motion. Conversely, the top performer was Health Care, up 49.9%. The benchmark S&P500 Index rose 0.9% during the month and finished the year flat. Defensive sectors were among the top performers in December, with Telecommunication Services rising 3.7%, the Utilities adding 3.0%, and the Consumer Staples finishing up 2.4%. Energy and Materials sectors offset strength, declining 1.1% and 2.4%, respectively.

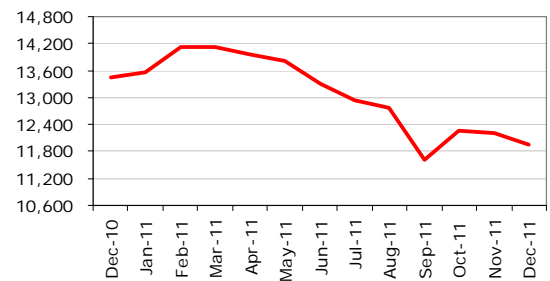
- Portfolio Advisory Group

December 2011

CANADIAN EQUITIES –

%	1 Mo.	3 Mos.	6 Mos.	9 Mos.	1 Yr.	YTD
S&P/TSX Com	-2.0	2.8	-10.1	-15.3	-11.1	-11.1
S&P/TSX TRet	-1.7	3.6	-8.9	-13.6	-8.7	-8.7
Cons. Disc.	-1.8	-0.2	-15.9	-15.8	-17.9	-17.9
Staples	1.6	2.4	0.9	2.6	4.8	4.8
Energy	-0.7	10.6	-10.7	-18.8	-12.3	-12.3
Financials	2.3	0.1	-10.4	-13.6	-6.6	-6.6
Health Care	-0.8	14.8	-4.1	-0.9	49.6	49.6
Industrials	3.0	14.5	-7.0	-5.7	2.0	2.0
Info Tech	-10.2	-15.5	-31.4	-53.0	-52.6	-52.6
Materials	-11.6	-4.5	-13.1	-20.6	-21.8	-21.8
Telecom	4.8	8.6	7.7	15.8	19.0	19.0
Utilities	0.3	-0.3	2.1	1.5	1.6	1.6

S&P/TSX COMPOSITE 1-YEAR

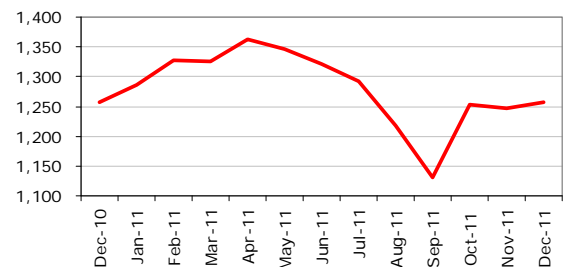


Source: Bloomberg All data are Price Returns except S&P/TSX Total Return

U.S. EQUITIES –

%	1 Mo.	3 Mos.	6 Mos.	9 Mos.	1 Yr.	YTD
S&P 500 Idx	0.9	11.2	-4.8	-5.1	0.0	0.0
S&P 500 TRet	1.0	11.8	-3.7	-3.6	2.1	2.1
Cons. Disc.	1.0	12.0	-2.9	0.1	4.4	4.4
Staples	2.4	9.4	4.0	8.6	10.5	10.5
Energy	-1.1	17.6	-6.9	-11.6	2.8	2.8
Financials	1.6	10.2	-15.3	-20.6	-18.4	-18.4
Health Care	2.8	9.3	-2.2	4.9	10.2	10.2
Industrials	0.9	15.7	-9.2	-10.3	-2.9	-2.9
Info Tech	-0.9	8.4	-0.2	-1.8	1.3	1.3
Materials	-2.4	14.7	-13.9	-15.1	-11.6	-11.6
Telecom	3.7	6.4	-3.4	-2.6	0.8	0.8
Utilities	3.0	7.1	7.6	13.0	14.8	14.8

S&P 500 1-YEAR



Source: Bloomberg All data are Price Returns except S&P 500 Total Return. All returns in \$US. See Currency page for C\$ returns for short and long term

GOVERNMENT OF CANADA T-BILLS AND BONDS

Source: PC Bond

%	30-Dec	30-Nov	30-Sep	30-Jun	Last Year	YIELD CURVE NOW VS. 1 YEAR AGO	
1 Month	0.73	0.80	0.80	0.91	0.92		
3 Month	0.82	0.86	0.80	0.93	0.97		
2 Year	0.96	1.01	0.89	1.59	1.68		
5 Year	1.28	1.46	1.40	2.33	2.42		
10 Year	1.94	2.15	2.16	3.11	3.12		
30 Year	2.49	2.69	2.77	3.55	3.53		

U.S. GOVERNMENT T-BILLS AND NOTES YIELDS

Source: PC Bond

%	30-Dec	30-Nov	30-Sep	30-Jun	Last Year	YIELD CURVE NOW VS. 1 YEAR AGO	
1 Month	-0.01	0.02	0.01	0.01	0.05		
3 Month	0.01	0.00	0.02	0.01	0.12		
2 Year	0.24	0.25	0.24	0.46	0.59		
5 Year	0.83	0.95	0.95	1.76	2.01		
10 Year	1.88	2.07	1.92	3.16	3.29		
30 Year	2.89	3.06	2.91	4.37	4.33		

COMMODITIES

	Dec 30	1 Mo. Ago	3 Mos. Ago	6 Mos. Ago	9 Mos. Ago	1 Year Ago
Copper US\$/lb	\$3.44	\$3.57	\$3.17	\$4.27	\$4.27	\$4.38
Zinc US\$/lb	\$0.83	\$0.94	\$0.83	\$1.06	\$1.06	\$1.11
Nickel US\$/lb	\$8.49	\$7.93	\$7.97	\$10.61	\$11.83	\$11.21
Aluminum US\$/lb	\$0.90	\$0.95	\$0.96	\$1.14	\$1.19	\$1.12
Gold US\$/oz	\$1,563.70	\$1,746.38	\$1,623.97	\$1,500.35	\$1,432.30	\$1,420.78
Silver US\$/oz	\$27.84	\$32.79	\$29.93	\$34.69	\$37.67	\$30.92
WTI Crude US\$/bbl	\$98.83	\$100.36	\$79.20	\$95.42	\$106.72	\$91.38
Nat. Gas US\$/mmbtu	\$2.99	\$3.55	\$3.67	\$4.37	\$4.39	\$4.41
Heating Oil US\$/gal	\$2.94	\$3.02	\$2.79	\$2.93	\$3.09	\$2.54
Gasoline US\$/gal	\$2.69	\$2.57	\$2.63	\$3.03	\$3.11	\$2.45
Corn US\$/bushel	\$6.47	\$6.01	\$5.93	\$6.29	\$6.93	\$6.29
Soybeans US\$/bushel	\$11.99	\$11.31	\$11.79	\$13.06	\$14.10	\$13.94
Wheat US\$/bushel	\$6.53	\$5.96	\$6.09	\$5.85	\$7.63	\$7.94

Source: Bloomberg


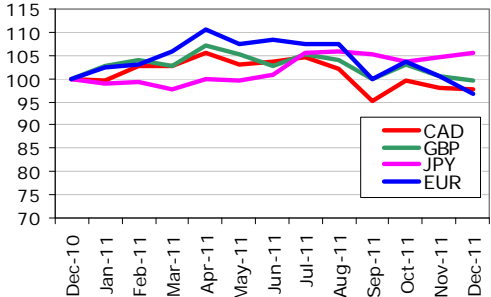



INTERNATIONAL EQUITIES

%	1 Mo.	3 Mos.	6 Mos.	9 Mos.	1 Yr.	YTD	INTERNATIONAL INDICES 1-YEAR
Nikkei 225	0.2	-2.8	-13.9	-13.3	-17.3	-17.3	
Hang Seng	2.5	4.8	-17.7	-21.6	-20.0	-20.0	
CSI 300	-7.0	-9.1	-22.9	-27.2	-25.0	-25.0	
S&P/ASX 200	-1.5	1.2	-12.0	-16.2	-14.5	-14.5	
FTSE 100	1.2	8.7	-6.3	-5.7	-5.6	-5.6	
DAX 30	-3.1	7.2	-20.0	-16.2	-14.7	-14.7	
CAC 40	0.2	6.0	-20.7	-20.8	-17.0	-17.0	
Mexican Bolsa	0.7	10.7	1.4	-1.0	-3.8	-3.8	
Braz. Bovespa	-0.2	8.5	-9.1	-17.3	-18.1	-18.1	
MSCI World	-0.2	7.1	-11.2	-11.4	-7.6	-7.6	
MSCI EAFE	-1.0	2.9	-17.3	-17.0	-14.8	-14.8	

Source: Bloomberg All returns in local currencies. See Currencies page for C\$ returns both short and long term.



CURRENCIES

	Dec 30	1 Mo. Ago	3 Mos. Ago	6 Mos. Ago	9 Mos. Ago	LY	CURRENCY BASE 100 vs. USD	
 USD/CAD	\$1.02	\$1.02	\$1.05	\$0.96	\$0.97	\$1.00		
 USD/EUR	€ 0.77	€ 0.74	€ 0.75	€ 0.69	€ 0.71	€ 0.75		
 USD/GBP	£0.64	£0.64	£0.64	£0.62	£0.62	£0.64		
 USD/JPY	JPY 76.91	JPY 77.62	JPY 77.06	JPY 80.56	JPY 83.13	JPY 81.12		

Source: Bloomberg

When the U.S. dollar is listed first, the valuation is expressed as the number of foreign currency units per U.S. dollar.

DOMESTIC & INTERNATIONAL SHORT AND LONG-TERM RETURNS IN C\$

%	1 Mo.	3 Mos.	6 Mos.	9 Mos.	1 Yr.	YTD	2 Yr.	3 Yr.	4 Yr.	5 Yr.	10 Yr.
S&P/TSX Idx	-2.0	2.8	-10.1	-15.3	-11.1	-11.1	0.9	10.0	-3.6	-1.5	4.5
S&P/TSX TR	-1.7	3.6	-8.9	-13.6	-8.7	-8.7	3.6	13.2	-0.7	1.3	7.0
S&P 500 Idx	0.6	8.7	0.4	-0.6	2.2	2.2	4.2	5.2	-3.2	-5.0	-3.5
S&P 500 TR	0.8	9.3	1.5	1.1	4.4	4.4	6.3	7.5	-1.0	-2.9	-1.6
Nikkei 225	0.8	-4.8	-5.0	-2.2	-10.9	-10.9	-3.7	-2.3	-4.3	-7.9	-1.4
Hang Seng	2.3	2.7	-13.1	-17.8	-18.1	-18.1	-10.0	2.2	-9.1	-4.2	0.4
CSI 300	-6.0	-10.0	-16.6	-20.7	-19.8	-19.8	-17.3	5.3	-14.7	4.4	n/a
S&P/ASX 200	-1.7	4.3	-11.1	-13.0	-12.4	-12.4	-4.3	9.8	-6.4	-4.1	4.3
FTSE 100	-0.3	5.3	-4.6	-4.6	-3.9	-3.9	-2.4	3.7	-8.8	-9.1	-3.1
DAX 30	-6.8	1.0	-24.7	-19.8	-15.4	-15.4	-7.1	-2.1	-9.6	-5.2	0.7
CAC 40	-3.7	-0.2	-25.3	-24.2	-17.7	-17.7	-16.4	-8.7	-15.4	-13.3	-4.4
Mexican Bolsa	-1.6	7.3	-10.1	-11.3	-12.8	-12.8	2.1	11.3	0.2	-1.0	9.3
Braz Bovespa	-3.0	6.2	-19.4	-24.0	-25.6	-25.6	-13.5	16.6	-3.1	5.2	12.8
MSCI World	-0.4	4.7	-6.3	-7.1	-5.5	-5.5	-1.3	2.4	-6.5	-7.0	-2.8
MSCI EAFE	-1.2	0.6	-12.8	-13.0	-12.9	-12.9	-7.3	-1.6	-10.5	-9.9	-2.4

*2Yr, 3Yr, 4yr, 5Yr, and 10yr returns are annualized

Source: Bloomberg



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