



Monthly Market Comment

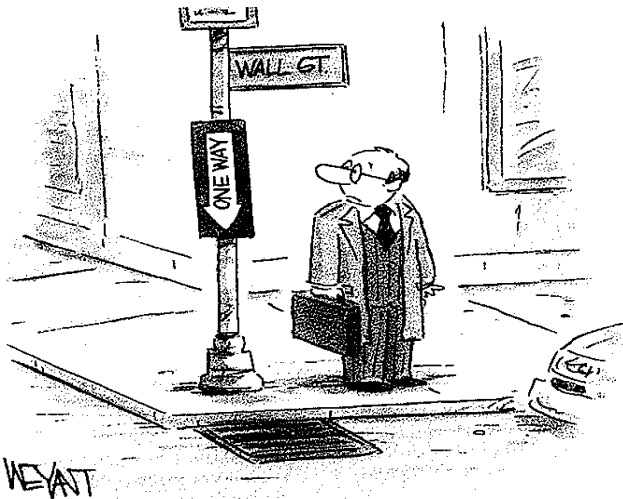
March 2009

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February was a month of one blizzard after another! London, England awoke on February 1st to a crippling blanket of snow. Over a foot of the fluffy stuff landed, resulting in the greatest accumulation in nearly two decades. The capital was brought to a complete standstill! Both groundhogs, Punxsutawney Phil and Wiarton Willie, were absolutely no help! Seeing their shadows brought a forecast of six more weeks of winter which was promptly backed up by major storms in Toronto and the northeast. New York City saw the month exit with nearly a foot of snow, resulting in the first school closings in five years.

Peering through these blizzards clearly caused the global warming scientists trouble. Admitting that they had somehow not seen a new Arctic ice flow the size of California, these 'scientists' went on to score this winter as the 'coldest to date' in the last fifteen years. Those of you worried about the lack of sunspot activity so far in '09 know that this bodes for a probably wet and cool spring!



Blizzards of the financial sort battered equity markets around the world! Both the Dow and the TSX on February 2nd started the month at 7936 and 8624 respectively. Both market indices were beaten down to finish on February 27th at 7062 and 8123. The Dow's 12% loss was the worst February performance ever and left the market down an eye-popping 20% since President Obama was inaugurated. Clearly, Wall Street and the U.S. moneyed interests are not impressed with the 'tax and spend' class warfare that the Obama administration has unleashed in its proposed political legislation. While the TSX was down 6%, many North American money managers have been seeking shelter in Canadian stocks, particularly banks and resource plays.

General Electric's CEO, Jeff Immelt, announced on February 27th that the board voted to cut the dividend 84% to 10 cents per quarter, resulting in a savings of \$9 billion. This money is badly needed to shore up **GE** Capital against further real estate and credit card losses. The holders of **GE** stock, 40% of whom are individuals, were livid with this dividend cut. Immelt's attempted 'snow job' went down badly, with **GE** selling off a further 20% and the CEO's credibility being badly eroded. However, we still believe that **GE** is sound as a company and will continue to deliver on its dividend and future economic growth prospects. Going forward, **GE** will be a much humbler corporation, sticking closely to its industrial manufacturing enterprises.

RAYS OF SUNSHINE AND HOPE

Michael Milken, Chairman of the Milken Institute recently wrote:

"In times of historic change, it's instructive to look at some facts:

- The stock market is down 50 percent
- Banks are in trouble and have curtailed lending
- Commentators predict widespread industrial bankruptcies
- Unemployment is rising fast
- Interest rates are volatile

It all sounds familiar. But those headlines aren't from today, they're from 1974. Doomsayers foresaw disaster 35 years ago, predicting hundreds of corporate bankruptcies. New York City and State, and utilities like **Consolidated Edison**, seemed on the brink of collapse. Business publications wrote that major money-centre banks would fail, and ran articles like "I'll Never Own a Stock Again".

Struggling companies got little help from financial institutions, which had problems of their own. Businesses with the highest return on investment, the most innovation, and the fastest growth were starved for capital. The debt of good companies sold for pennies on the dollar. In 1974, as now, those who once thought they had the answers came to realize their assumptions were flawed. But

opportunity emerged from that crisis as people with creative solutions and the skill to implement them stepped forward and developed new ways to access capital.

Over the next two years, the markets recovered strongly. That skill in finding new opportunities when things look bleak is part of what economists call Human Capital. Later, in financing companies that could grow and create jobs, management skills were as important an asset as numbers on the balance sheet. It's never more important than in times of crisis.

While people worldwide have recently suffered some \$60 trillion in losses on financial instruments and real estate, that figure is actually dwarfed by the value of the world's human capital, worth substantially more than \$1,000 trillion. With a value like that on our collective potential, a cancer cure would be worth more than \$50 trillion in the United States and well over \$100 trillion globally. This suggests that investments in medical research may have more value than building new bridges or highways. It underscores what we already know about education: In the long run, it's the single best investment in stimulating the world's economy!"

These are great words of wisdom from a prostate cancer survivor who continues to help lead us all to a healthier, better and more prosperous world.

BEHOLD THE TAXMAN COMETH

The customary annual packages of slips and summaries required for tax reporting have been making their way to clients in the last few weeks.

The T5 slip reports any interest, dividend or foreign income received and any foreign taxes paid. These amounts are also detailed on the Investment Income Summary in addition to any accrued interest on the purchase or sale of bonds or interest paid on debt account balances. These interest charges, which appear in the "Paid By You" column are not reflected on the T5 and should be claimed separately on Schedule 4 of your tax return.

Payments from registered retirement plans, which are reported on T4RIF slips have been mailed out separately along with receipts for RRSP contributions and T4RSP slips for RRSP withdrawals.

As usual, the laggards are the T3 slips and Summaries of Trust Income which report income from Trust Units. Trusts have a late March deadline and some of them do not report their distribution breakdown until the last minute. These slips will be mailed out later this month.

We have, of course, held back all tax material for those clients for whom we prepare tax returns. On that note, should you be interested in taking advantage of our tax preparation services, our resident Chartered Accountant would be happy to add your name to the list.