

Your Wealth Experts

- Investments
- Retirement Planning
- Tax Minimization
- Estate Planning



Christine LaLiberté, CIM, FCSI
Senior Investment Advisor, Director, Private Client Group
Insightful Wealth Group, DWM Securities Inc.,
Insurance Advisor, Dundee Insurance Agency Ltd.
309 5455 - 152nd Street, Surrey, B.C., V3S 5A5
T: 604-575-6911 F: 604-575-6910 Toll free: 1-866-575-6911
claliberte@dundeewealth.com www.insightfulwealthsolutions.com

*Insurance products provided through Dundee Insurance Agency Ltd.
C.L. Financial Services Inc.*

Below is a market commentary that addresses some of the contributing factors to recent market volatility.

Investing in the types of markets like we have seen recently requires a clear understanding of your financial goals and the fortitude to stay the course. It is difficult to stomach market volatility and see your investments fluctuate in value, however patience is invaluable in times like these, as is keeping in mind your investment horizon. In the long-term you will be glad that you did.

If you are concerned or would like to discuss the markets or your portfolio, please feel welcome to call.

A Crisis of Confidence: Opportunities and Risks Following a Challenging Quarter

DundeeWealth Market Research, October 6, 2011

If the last quarter of equity returns has your stomach turning with déjà vu, you are likely not alone. The recent market turmoil has led many investors to attempt to draw parallels to the historic event of 2008, and who could blame them. 2008 was among the most fearful periods for investors in decades and it is not a time that will easily be forgotten. However, 2011 is not 2008 and the world is facing a very different set of challenges today than it experienced back then. The fact is, the third quarter of 2011 was a quarter where investors began to question the health of the economic recovery and the global financial system and when those questions were not answered promptly and definitively, investor nervousness began to manifest itself in the form of wavering financial markets.

Perhaps the biggest concerns to make headlines last quarter stemmed more from political blunders than anything else. In Europe, policy makers were at odds with one another with regards to how the spiralling sovereign debt issue should be managed, resulting in a delay of a much needed expansion of the resources required to control the crisis and avoid an economic meltdown. The turmoil pushed up borrowing costs of struggling countries and led to downgrades on Italian debt and French banks. In the U.S. political theatrics surrounding the handling of the nation's debt ceiling, led to a downgrade of the U.S. credit rating by Standard & Poor's. These situations were perceived by investors as potentially dangerous events, as the lack of cohesiveness between governing officials signalled to the investment community that there was no decisive path to resolution. This led to uncertainty as to whether or not the required steps would be able to be taken or if political posturing would stand in the way of preventing a slide back into recession.

To make matters worse, the longer policy makers in Europe and the U.S. stand in the way of sound decision making, the more Asian exporters feel the heat of a slowing global economy. While China has worked very hard to focus on its growth internally, it relies heavily on European and U.S. consumers as its export markets. If consumers in these markets do not feel comfortable consuming, it becomes a challenge for China. It is these concerns of a slowdown in China that are hitting the Canadian stock market and the Canadian dollar particularly hard. Canada is still in large part a resource-based economy benefiting from significant resource consumers like China. When growth in these countries slows, they buy less raw materials and less demand leads to lower prices. Commodity prices are driven in large part by speculation on emerging market growth, and when that growth is questioned prices will likely remain depressed.

In recent weeks however, steps have been taken to improve the situation. In Europe, German lawmakers have passed a vote to expand the resources of the euro area's financial rescue and Greece has announced a new budget plan, supported by its creditors. Over the last few days rumours have begun to surface that euro region officials are working together on a new rescue package, which is positive news. In the U.S. policy makers have conditionally extended the debt ceiling and the U.S. Federal Reserve is taking action once again to help boost the economy by initiating a new bond purchase program, and, if needed, another round of quantitative easing could be initiated by the Fed. Economic data in the U.S. is also starting to show some positive signs.

In spite of recent potentially positive developments, investors should continue to be cautious in the current environment, as there is still a great deal of uncertainty in the markets. However, many investment professionals believe that valuations are attractive at these levels, and over the last couple of days we have seen evidence of that in the markets as stocks have rallied. Certainly, for those who have weathered this volatile period patience has been, and will continue to be, vital as we navigate towards a renewed recovery.

Disclosures & Disclaimers

DWM Securities Inc. is an affiliate of The Bank of Nova Scotia, DundeeWealth Inc., and Goldman & Company, Investment Counsel Ltd.

Research Analyst Certification: Each Research Analyst involved in the preparation of this Research Report hereby certifies that: (1) the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this Research Report; and (2) his/her compensation is not and will not be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst in this Research Report.

U.S. Residents: This Research Report is not intended for distribution in the United States.

This Research Report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. The information contained in this Research Report is prepared from sources believed to be reliable but DWM Securities Inc. makes no representations or warranties with respect to the accuracy, correctness or completeness of such information. DWM Securities Inc. also makes no representations or warranties in respect of past or future performance of any securities discussed in this Research Report and past performance of such securities may not be repeated. DWM Securities Inc. accepts no liability whatsoever for any loss arising from any use or reliance on this Research Report or the information contained herein. Any reproduction in whole or in part of this Research Report without permission is prohibited.

DWM Securities Inc. Research is distributed by email, website or hard copy. Dissemination of initial reports and any subsequent reports is made simultaneously to a pre-determined list of DWM Securities Inc. clients and Retail Private Client offices. The policy of DWM Securities Inc. with respect to Research reports is available on the Internet at www.dundeewealth.com.

The compensation of each Research Analyst/Associate involved in the preparation of this Research Report is based upon, among other things, the overall profitability of DWM Securities Inc.

© Registered trademark of its owner, used under license.

© DWM Securities Inc.