

“MY VIEW”

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Is That The Sun I See.....?

As I sat down early May to review your portfolio, crunch and compare numbers, I observed something I had not seen in quite a very long while....***Positive Returns!***

It appears that there may actually be a glimmer of light peering over the horizon and with it bringing to an end the longest broad market decline we have ever experienced. In April, 90% of managed funds reported positive returns, with twenty six of the thirty two indexes showing positive numbers. Latin America and Europe lead the pack with the Americans hot on their heels. Japan and Precious Metals experienced losses. With the war or more accurately the police action with Iraq well in hand and the various covert operations being undertaken uncovering key members of various terrorist cells, focus is re-shifting back to economic fundamentals.

Two weeks ago the corporations comprising the S&P 500 in the U.S.A. reported on their earnings. These firms represent the five hundred largest capitalized corporations in America and on average they reported an increase in earning ***above expectations of 14%***...that is huge! Allan Greenspan said that consumers and corporate America are both in great shape and that is primarily because of low interest rates. The percentage of debt is actually lower than previously forecast and there have been sporadic indicators of business starting to once again re-invest in itself.

In Canada our economy is much stronger at this point then our southern neighbors. David Dodge, (Governor of the Bank of Canada) has once again increased interest rates in order to keep a handle on inflation and to slow our economy down. Natural gas costs to consumers has dropped by almost 50% and the cost of filling up your car has also been brought down from the stratosphere, except of course around long weekends when simultaneously it seems to jump by tens cents a litre all across the city and then drop back down after the weekend. This of course is a rare coincidence and would never be thought of as wide spread price fixing! The daily swings on the stock market have come down to a more reasonable and very rationally manageable level.

Get a load of our dollar rising some days by almost a full penny! Now why is that, and what affect will a rising Canadian dollar and a falling US dollar have on things? First of all, one of the major reasons our dollar has shot up is because of the huge interest rate point spread between the American's and us. Investors can get a higher return for their investment here then they can State side and the risk for that decision may also be lower by investing in Canada. The ripple effect will be, other then for traveling abroad is that our stronger dollar will make our exports (which is what we are primarily about) more expensive on the global market. Since 85% of our exports are purchased by the US that will slow down trade, which will take pressure away from having to increase interest rates even further, because lower trade numbers will slow down our economy.

For the US they will start to purchase '***Made In The USA***' products, imported ones will become more expensive due to their currency dropping in value. That will in turn increase domestic

sales, improving their economic picture making them strong again allowing them to raise their interest rates to slow down their economy and life goes on.

Just like with Mother Nature's seasons, every period has its turn. Some times those season's get extended. But there is green grass under those sixty-seven centimeters of snow. We all know summer is upon us, we just need to have a little more patience in order to be able to enjoy the green grass, flowers and warmth of the sun. Even if we do get a freak snowstorm in July!

On a very positive note. The great thing for most of us is that we will never see such a market event, with such devastating magnitude ever appear in our investing life again! Adjustments and corrections yes, but this was our 1929 crash. Let the next generation have their turn and see how they fare. ***For us, may we live long and prosper!***

Enjoy the Sun!

Regards,

Victor

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