



The Week of October 8th – October 14th, 2011
“A Brief Look Back Into Tomorrow”

Good Afternoon

Following a week that saw the major North American markets repeat what is becoming predictable cycle of rallying for most of the week on encouraging economic indicators, only to once again retreat on the final trading day as investors squared positions ahead of what may be another uncertain weekend of sovereign debt issues, the weekend media reported that -

As the ‘we might have this thing figured out’ investment advisors made their way home last Friday, October 7th to enjoy the Canadian Thanksgiving or American Columbus Day long weekend, they felt that except for the sudden shudders of European debt problems, the overall market was indeed displaying some signs of upward momentum, as for the 40th week of 2011, the Dow Jones Industrial Average managed a weekly gain of 1.75%, with the S&P 500 Index ahead on the week by 2.12% and the NASDAQ Exchange up over the week by 2.65%. To the export sensitive north, the TSX had a minor weekly loss of 0.31% while the riskier TSX Venture Exchange gave back 0.41%.

Two of the three new 52-week trading highs established last Friday were AlarmForce Industries (AF-T) at \$11.75 and Cogeco Cable (CCA-T) at \$49.15, while some of the 36 new lows include Groupe Aeroplan (AIM-T) at \$10.74, Big Rock Brewery (BR-T) at \$11.40, Claymore Nat Gas Commodity ETF (GAS-T) at \$22.06, HAP Gartman ETF (HAG-T) at \$7.69, MacDonald Dettwiler & Assoc. (MDA-T) at \$41.70, Ritchie Bros Auctioneers (RBA-T) at \$19.28 and Vicwest (VIC-T) at \$8.00.

Jones Villalta Asset Management - “The employment data was viewed as relatively good, but this issue in Europe keeps rearing its head. We just can’t seem to escape Europe’s debt crisis.”

JP Morgan - “A global recession would completely negate our current thesis on equities, but historical analysis suggests that U.S. recession concerns are premature, but clients are positioned similar to March 2009. This could spell a substantial recovery in asset prices as the market would need to reposition if neither a global recession nor a crisis akin to the 2008-09 crisis comes to bear. The current market basically discounts a recession already.”

Gold Bullion International - “There was heavy selling in gold to cover losses in other markets.”

The American Association of Railroads (AAR) reported that last week’s railway carload counts rose by 4.5% from one year ago to 408,383 unit

Warren Buffett - "Our railroad, (Burlington Northern Santa Fe), carried 200,000 carloads last week. That's the highest total in 3-years. And that's stuff moving around the country, supplying merchants and doing all kinds. As of today, the recovery is still underway."

Cline Mining (CMK-T) shares' rose by \$0.22 or 15.17% to \$1.67 last Friday when the coal miner reported it had sold its Lossan metallurgical coal deposit in the Peace River Coalfield of BC to mining giant Xstrata Coal.

Hooters Restaurants founder Robert Brooks - "Good food, cold beer and pretty girls will never go out of style."

And then on Monday, October 11th -

With the Canadian markets closes for Thanksgiving, their American counterparts had to go it alone, and they did so with some enthusiasm, with the S&P 500 index gaining a further 39-points or 3.41% to 1,195 following a pledge by French and German leaders that the Euro zone's vulnerable banks would be recapitalized and that eventually, the region's debt issues would be resolved, and on optimism that the 4th quarter earnings reports would be positive.

Scottish Widows - "It's a relief rally, not surprising given how bearish the last five or six weeks have been."

Russell Investments - "The 4th quarter earnings season should be a reasonably good one. Are we going to continue to have record earnings - probably not. But it should be a strong earnings season."

The shareholders' of Complete Production (CPX-N) are pleased to see their investment surge up by \$8.03 or 39.40% to US \$28.41 on word the oil services company had agreed to a US \$2.6-billion cash-and-stock takeover offer by larger rival Superior Energy Services (SPN-N).

The NASDAQ Exchange rises by 87-points to once again cross above 2,500 and close at 2,566.

The TSX Venture Exchange gains 38-points to once again cross above 1,500 to close at 1,511.

Rodney Dangerfield - "Always look out for Number One, but be careful not to step in Number Two!"

Tuesday, October 11th-

The Canadian markets rejoin the action hoping that some of Monday's enthusiasm will rub off on issues on the north side of the border.

The Canada Mortgage and Housing Corp. (CMHC) reports the country's housing starts rose in September to a much better than expected 3-year high of 205,900 units.

Notley's Notes - "The first intermediate downleg of the new long term cyclic bear is complete...The downtrend is mature and a new uptrend is ending."

Beleaguered smartphone company, Research In Motion (RIM-T) has another bad day when its much touted network suffers a system wide shutdown.

Alcoa (AA-N) starts the 3rd quarter earnings season when the giant aluminum producer issues a report that falls significantly short of the markets' expectations.

The share's of Auryx Gold (AYX-T) gain \$0.25 or 54.35% to \$0.71 on word the junior Namibian gold producer had accepted a merger/takeover offer from larger producer B2Gold (BTO-T).

And the shareholders' of Western Wind Energy (WND-V) are pleased to see their investment surge up by \$0.77 or 57.89% to \$2.10 when the alternative energy company receives an unsolicited \$634-million cash-and-debt reduction takeover offer from Algonquin Power (AQN-T).

American discount retailer 99 Cents Only (NDN-N) agrees to a US \$1.6-billion all cash deal to be taken private by the Canada Pension Plan Investment Board and Ares Management LLC.

Daylight Energy (DAY-T) share's surge up by \$5.05 or 110% to \$9.64 on the first day of trading after last weekend's \$2.2-billion all-cash takeover offer from China's Sinopec International Petroleum Exploration and Production Corp. (SIPC).

Sam Ewing - "Hard Work spotlights the character of people: some turn up their sleeves, some turn up their noses, and some don't turn up at all."

Wednesday, October 12th-

Tuesday's CMHC induced market optimism leaves Canaccord's Morning Coffee to report a balanced 13 new TSX 52-week trading highs and a reduced 17 new lows. Four of the new highs of note were Absolute Software (ABT-T) at \$4.82, Dollarama Inc. (DOL-T) at \$38.11, Enbridge Inc. (ENB-T) at \$34.20, while six of the interesting new lows include ACE Aviation Holdings (ACE.B-T) at \$10.04, Cash Store Financial Services (CSF-T) at \$7.99, Clublink Enterprises (CLK-T) at \$5.66, Osisko Mining (OSK-T) at \$11.96, SMART Technologies (SMA-T) at \$3.83 and Sterling Shoes Inc. (SSI-T) at \$0.08.

CIBC World Markets - "The Canadian housing data suggests that residential construction could be a plus for GDP in Q3 as homebuilding continues to garner support from a low interest rate environment."

Canadian finance minister Jim Flaherty reports his government's budget deficit shank by 40% in the 2010-11 fiscal year to \$33.4-billion.

The United Kingdom's Office for National Statistics reports their unemployment rate rose by 0.3% in the past 3-months to a 15-year high of 8.1%.

The long suffering shareholders' of Alix Resources (AIX-V) are very please to see their investment come to life and surge up by \$0.05 or 36.0% to \$0.17 when the junior mineral explorer reports very encouraging drill hole gold/silver & copper assays from its Golden zone deposit in the Valdez Creek Mining district of south-central Alaska.

And the shares' of Kaminak Gold (KAM-V) gain \$0.29 or 10.36% to \$3.09 on a follow thru to the gold explorer's recent gold in soil assays from its flagship Coffee project in Canada's Yukon.

A123 Systems (AONE-Q) shares climb by \$0.88 or 26.59% to \$.19 on word that General Motors (GM-N) will use the company's battery in its all electric car, the Chevrolet Spark in 2013.

Liz Claiborne (LIZ-N) shares' improve by \$1.74 or 24.12% to US \$6.84 on word the cosmetic company was selling its brand to giant department store chain J.C. Penny (JCP-T).

The S&P 500 Index gains 12-points to once again cross above 1,200 and close at 1,207.

Don Keough - "A ship in the harbour is safe...but that is not what ships are for."

Thursday, October 13th -

Yesterday's 'let's keep this thing going' triple digit market gains leaves the TSX with an improved 20 new 52-week trading highs to go along with 16 new 52-week lows. Five of the new highs of interest were BCE Inc. (BCE-T) at \$39.87, Emera Inc. (EMA-T) at \$33.17, Lundin Petroleum AB (LUP-T) at \$21.75, Provident Energy Ltd. (PVE-T) at \$9.07 and TransAlta Corp. (TA-T) at \$23.42, while a mix of the new lows of note include Aastra Technologies (AAH-T) at \$13.75, EXFO Inc. (EXF-T) at \$5.45, Forbes and Manhattan Coal (FMC-T) at \$1.97, Logan Int'l. Inc. (LII-T) at \$4.30, RONA Inc. (RON-T) at \$9.46, 20-20 Technologies (TWT-T) at \$2.70 and Canadian Satellite Radio (XSR-T) at \$2.45.

Loomis Sayles & Co. - "The situation in Europe is going to take a heroic effort. At least for now, it seems that they are making steps in the right direction. The fact that there's a road map is good. They are now starting to lay out a few more concrete steps."

Baskin Financial Services - "The table was set for an explosive rally. Investors weighed down by last week's pessimism and selling pressures were eager to make up sharp losses. We were due for a relief rally, we've got one. We'll see where that leads us next."

Haverford Trust Co. - "A lot of the people who have cash and who have been afraid of some of these big, macro risks are thinking: Maybe we should get back in because this has been a rough year, and it would be really rough if we missed a big 4th quarter."

Technical analysts Dave Harder & Ron Meisels - "As far as we can recall, there have been very few times during the last 30-years when market conditions have seemed do hopeless. This feels similar to the summer of 1982, the period after the Crash on 1987, after 9/11, October 2002 and the months of the financial crisis in 2008-09. These were times when markets experienced sever declines. It always seems darkest before it gats completely dark, rather than before the dawn...But yes, there is a ray of hope that the much heralded year-end rally will materialize for a short-term."

China reports that due to an increase in imports, its closely watched trade surplus fell by a further \$3.3-billion in September to US 14.5-billion.

Curis Resources (CUV-T) shares' climb by \$0.29 or 23.58% to \$1.52 when the mineral explorer releases more encouraging drill hole copper assays from its Florence Copper project in central Arizona.

The shares' of Roxgold Inc. (ROG-V) rise by \$0.14 or 11.67% to \$1.34 as the market anticipates more encouraging drill hole gold assays from its Yaramoko permit in Burkina Faso, West Africa.

Joseph R. Stromberg - "Government cannot be put on a business-like basis because it lacks the profit-and-loss test available to businesses on the market. Thus, it doesn't know when to stop something, short of a disastrous setback, cannot calculate its costs and so on."

Friday, October 14th, Short Strokes –

Thursday's triple digit trade shudder from China leaves the TSX with a reduced 9 new 52-week trading highs and 20 new lows. Four of the new highs of note were Alimentation Couche-Tard (ATD.B-T) at \$30.86, Clairvest Group (CVG-T) at \$16.49, Gibson Energy (GEI-T) at \$19.24 and Income Streams III (STQ-T) at \$24.07, while four of the notable new lows were Altus group (AIF-T) at \$3.50, Maple Leaf Foods (MFI-T) at \$10.53, Ridley Inc. (RCL-T) at \$8.45 and Skope Energy (SKL-T) at \$7.25.

BMO Capital Markets – "Markets were unsettled by the news that china's exports cooled to 'just' a 17.1% year-over-year pace in September, the slowest in almost 2-years, as well as a pullback in the trade surplus to \$14.5-billion. It most certainly is not bad news if China's trade surplus eases. It represents one of the biggest global imbalances, and a narrowing on that front is good news, not bad."

Coutts Private Bank - "Investors are looking at equities more as a dividend paying play than a capital growth storey. This is a particularly attractive strategy for those with a longer-term horizon. We have become more defensive, focusing on high yielding equities. high yielding equities tend to be defensive."

Under our continuing heading of 'Leading Indicator' – **China reports its imports of copper reached a 16-month high of 380,526 tonnes in September.**

The small town of Lexington, Kentucky has filed for bankruptcy, sighting public debts that are five times larger than its income.

Donald Cooper - "Meetings and conventions are the 10th largest contributor to North America's gross domestic product (GDP)."

Colombia admits that due to its ease of sale, illegal gold mining is quickly replacing cocaine as a major threat to their country.

Under the heading of 'Stuck Between a Rock and a Hard Place' - A survey by TD Canada finds that while today's baby boomers are most likely to want to start planning to downsize their homes, they are also most likely not to do so because they probably still have their adult children living with them.

Google (GOOG-Q) shares surge up by \$32.99 or 5.90% to US \$5.9168 when the search engine giant reports much better than expected 3rd quarter financials.

The TSX gains 170-points to once again climb above 12,000 to close at 12,082

The closely watched Volatility Index or VIX falls by 2.06-points to once again cross below 30 and close at a much calmer lever of 28.62.

Canaccord's Debbie Lewis- "If women ruled the world, there would be no wars. Just a bunch of jealous countries not talking to each other."

For the Week-

The DJIA gained 541-points to 11,644, the S&P 500 gained 70-points to 1,225, the TSX gained 494-points to 12,082, the NASDAQ gained 189-points at 2,668 and the JVX gained 85-points to 1,558.

Gold gained \$41.80 to \$1,682.30, Silver gained \$.83 to \$32.20, Crude Oil gained \$4.15 to \$87.33, Natural Gas gained \$0.60 to \$4.09 and Copper gained \$0.12 to \$3.42.

The CRB Commodities Index followed crude oil, natural gas, precious and base metals and soft commodities higher to gain 4.93-points to end the week at 317.18.

The Canadian dollar gained 2.56-cents against its American counterpart to close the week at US \$0.9890 and the Euro gained 4.93-cents against the greenback to end the week at US \$1.3882.

And finally -

A LinkedIn survey finds that the top five global office pet peeves are -

- People not taking ownership of their actions
- Constant complainers
- Dirty common areas
- Starting meetings late or going long, and
- People who don't respond to emails.

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