



The Week of December 31st, 2012 to January 6th, 2013
“A Brief Look Back Into Tomorrow”

Good Morning

The first week of the New Year, (and last day of 2012), begins with the financial world anxiously waiting to see if the American political leaders would use this last day of 2012 to come to some sort of a compromise to stop or at least delay their economy of falling over the year end ‘fiscal cliff’.

The markets rallied during the trading day after U.S. President Barack Obama tells the nation that he thought a deal was close and that he hoped one would be in place before the New Year deadline of 12-midnight.

Now let’s be honest. Thinking back to all the turmoil and doom & gloom headlines of the past year around the world and south of the border, who would have predicted that **for 2012, the Dow Jones Industrial Average would post a yearly gain of 9.78%, with the S&P 500 Index up on the year by 13.35% and the NASDAQ Exchange ahead on the year by a remarkable 15.93%. (Can you say Apple and Google?). And with all emphasis on the great Canadian economy and the predictions of precious metals and resources going higher, who would predict that the TSX Composite index would only advance by 4.01% in 2012 while the kick it while it’s down TSX Venture Exchange would drop over the year by an very disappointing 17.78%.**

The price of lumber ends 2012 on a high note by establishing a new 19-month high of US\$ 378.50/1,000 board feet.

Late on **Tuesday, January 1st**, word comes out the U.S Congress had compromised and passed a modified version of the ‘fiscal cliff’ legislation that would impose a tax hike on those individuals earning over US\$400,000 a year or couples earning over US\$450,000 a year, while freezing the tax rate on the majority of the middle-class Americans, a somewhat higher level than the US\$200,000 and US\$250,000 respective thresholds that the President had campaigned for.

U.S. President Barack Obama - “Thanks to the votes of Republicans and Democrats in Congress, I will sign a law that raises taxes on the wealthiest 2% of Americans, while preventing tax hikes that could have sent the economy back into recession.”

Further optimism for a Happy New Year comes from Beijing which announces that China's manufacturing purchasing managers index (PMI) held above the expansionary level of 50 in December to end 2012 with a reading of 50.6.

Meanwhile, Yonhap News reports that South Korean based Posco, Asia's 3rd largest steelmaker, along with China Steel Corp. and others will invest US\$1.1-billion to purchase a 15% interest in eastern Canadian iron ore company ArcelorMittal Mines Canada Inc. which produces about 40% of Canada's iron ore output.

The market's rally around the demise of the U.S. 'fiscal cliff' on **Wednesday, January 2nd**, with the Dow Jones Industrials having a particularly good day, achieving their **best ever first day of the year**, by gaining 308-points or 2.4% to 13,413.

Sun Life Global Investments - "The last couple of weeks people were starting to worry whether or not this thing would ever get done, and the fact that we did avert the fiscal cliff has put people in a good mood and a buying mood."

Also helping the markets was the latest Institute for Supply Management Index of U.S. Manufacturing activity (PMI) rose by a better than expected 1.2-points in December to cross above the all important expansionary level of 50 to end the year at 50.7, and matching the level set by China just one day previous.

Unfortunately, the PMI of the 17-nation Eurozone continues to go the other way by slipping another 0.1-point in December to 46.2, their 17th consecutive month below the economic contraction level of 50.0.

Bloomberg News reports that Carlos Slim, who controls Mexico's America Movil SAB mobile phone network, added a cool US\$13.4-billion or 21.6% to his world leading net worth in 2012.

Husky Energy 'HSE-T' touched a new 52-week trading high of \$29.69 while Newcrest Mining fell to a new 52-week low of \$23.00.

Mahatma Ghandi - "Our life is a long and arduous quest after truth."

Thursday, January 3rd begins on an optimistic note with Statistics Canada reporting that the Canadian new auto sales increased by 5.7% in 2012 to 1.68-million units, just shy of the 2002 record of 1.7-million vehicles.

But things quickly turn sour when the release of the U.S. Fed minutes reveals that some members believe that the Fed's current policy of open book purchases of U.S. debt may come to an end in 2013.

All of which puts a floor under the U.S. dollar and plunges gold bullion down by \$25.70 to US\$1,648.90 an ounce.

BMO Capital Markets - "Given the U.S. Fed minutes, it seems that the odds don't favour QE3 lasting into 2014, let alone making it all the way to the end of this year."

Notley's notes - "The current short term decline is the last within the constructs of the intermediate decline, and is now nearing maturity. The pending short term uptrend will turn the intermediate trend and originate a good start to 1st quarter of 1013."

Hormel Foods Corp., maker of that household staple 'Spam' luncheon meat, has agreed to a \$700-million purchase Unilever NV's 'Skippy' peanut butter division in a effort to expand the product further in China where Skippy is that already that country's leading peanut butter.

Starbucks Corp. 'SBUC-Q' continues to go green by stating it will begin serving its coffee in reusable plastic cups - That is, so long as their customers are willing to pay an extra dollar for them.

General Motors touches a new 52-week high of US\$30.10 while First National Mortgage reached a new 52-week trading low of \$9.80.,

Friday, January 4th ends the trading week on a rally after statistics Canada reports the Canadian economy produced an amazing 38,800 new jobs in December while lowering the country's unemployment rate by 0.1% to 7.1%.

South of the border, the U.S Labor department reports that their economy gained 155,000 new jobs in December keeping their unemployment rate even at 7.8%.

North American railways and railway car builders are becoming the beneficiaries of the many oil pipeline controversies and delays across the continent as they report record growth in oil traffic and new car backlogs as producers try to optimize their pricing by getting their product to coastal ports.

Some notable new 52-week trading highs established on Friday were Canadian Pacific Railway 'CP-T' at \$106.29, Canfor Corp. 'CFP-T' at 17.66, Manulife Financial 'MFC-T' at \$14.15 and WestJet Airlines 'WJA-T' at \$20.28.

For the first week of the year, the Dow Jones Industrial Average gained a very nice 3.84%, while the S&P 500 Index rose by 4.57% and the NASDAQ exchange gained 4.77%. To the frozen north, the TSX Composite index had a weekly gain of 1.82% while the TSX Venture Exchange started the year with a weekly gain of 2.19%.

Of further note, **the S&P 500's Friday close of 1,666 was the American broad based exchange's highest close since January, 2008.**

Under the heading of 'NetworkProtocol' - This week marks the 30th anniversary of the 'internet' and by extension the 'world wide web', a protocol, that according to The Daily Telegraph, grew from a few university computers to a network that now spawns some \$1.6-trillion of revenue a year and connects to more devices than there are people on earth.

Canaccord's Debbie Lewis - "Thank you for informing me that you have a stick-figure family of six...your mini-van had me under the impression that you were wild and single."

And Finally, we conclude this week by noting that with Statistics Canada revealing that the average Canadian's debt to income ratio rose to a record 164.6% last year, we found it of great interest that a New Year's survey for CIBC revealed that only 17% of respondents felt that debt reduction was a priority in 2013.

Now that the first week of the year is complete, The Week will be taking a 2-week hiatus as one of us is heading for Southern California for a little Palm Springs fun in the sun. If all goes as planned we should be publishing for the week of January 21st.

Interesting times.....and thanks

Rod Blake, AScT

Investment Advisor

rod.blake@canaccord.com

Evan Davies

Investment Advisor Assistant

evan.davies@canaccord.com

T: 604.643.7065

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