



The Week of July 14<sup>th</sup> to July 20<sup>th</sup>, 2012  
'A Brief Look Back Into Tomorrow'

## Good Afternoon

Following a bizarre week of trading that was the complete reverse of the previous week's action in that this time the major North American markets spent most of the week slumped in negative territory only to stage an impressive Friday rally on the hopes that the latest gross domestic product or GDP figures out of China would trigger the increase in stimulus needed to keep the world's economies moving forward, the weekend media reported that -

As the certainly not superstitious brokers and traders left their terminals last Friday, July 13<sup>th</sup>, they knew that Friday's triple digit market rally had firmly discounted the negative implications of that date in that for the 28<sup>th</sup> week of 2012, the Dow Jones Industrial Average had managed to turn the previous six consecutive deeply down days into a marginal weekly gain of 0.04%, with the S&P 500 Index also up on the week by 0.15%, while the NASDAQ Exchange still had a small loss of 0.98%. To the resource rich north, Friday's market rally still left the TSX Composite Index with a weekly loss of 1.25%, while the TSX Venture Exchange was still down by 1.98%.

Some of the 35 new TSX 52-week trading highs established last Friday include A&W Revenue Royalties (AW.UN-T) at \$22.37, Brookfield Renewable Energy (BEP.UN-T) at \$29.30, CAP REIT (CAR.UN-T) at \$24.80, First Asset Canadian REIT (REI.UN-T) at \$12.37, K-Bro Linen (KBL-T) at \$25.25, McGraw-Hill Ryerson (MHR-T) at \$45.00, Northland Power (NPI-T) at \$18.45, Parkland Fuel Corp. (PKI-T) at \$15.10, Richelieu Hardware (RCH-T) at \$35.00, TMX Group (X-T) at \$49.44 and WGI Heavy Minerals (WG-T) at \$0.59, while some of the 30 new 52-week trading lows were Argosy Energy (GSY-T) at \$0.21, Baja Mining (BAJ-T) at \$0.13, Calfrac Well Services (CFW-T) at \$20.22, Electrovaya Inc. (EFL-T) at \$0.51, Ivanhoe Mines (IVN-T) at \$7.72, JDS Uniphase (JDU-T) at \$8.82, Labrador Iron Mines Holdings (LIM-T) at \$2.22, Minco Gold (MMM-T) at \$0.41, Orsu Metals (OSU-T) at \$0.08, North American Palladium (PDL-T) at \$1.61, Petrominerales Ltd. (PMG-T) at \$10.12, Rockwell Diamonds (RDI-T) at \$0.31, Thompson Creek Metals (TCM-T) at \$2.87 and Walter Energy (WLT-T) at \$36.93.

Much of last Friday's market rally came after China reported its 2<sup>nd</sup> quarter GDP grew by as slightly less than expected 7.6% over the same quarter one year ago.

CMC markets - "The headline China GDP print of 7.6% was far from jaw-dropping stuff. However, it was a case of small mercies for the market, with risk assets able to claw back some ground."

Wells Fargo Funds Management - "The market was very oversold, so with China looking better than we previously thought, things appear contained for the moment."

Janney Montgomery Scott - "It does indicate that the People's Bank of China has to promote more liquidity via further retracts or potential fiscal programs that make sure growth does not fall below these levels."

Mackenzie Financial Corp. - "Chances are China will do something sort of marginal. But it's not going to be anything that's going to change the direction and the direction is that the global economy is slowing."

HSBC - "Probably the worst in China is over and we are going to see some stabilization and even improvement in growth in the next quarter. It pretty much depends on what will be the strength of further easing, but the chance is good that policy makers are willing to respond to this growth slowdown."

The shareholders' of La Mancha Resources (LMA-T) were happy to see their investment surge up by \$1.17 or 52.00% to \$3.42 when the company announced it had agreed to a \$3.50-a-share takeover offer from private equity firm Weather Investments II.

Conversely, the shares of Lexmark (LXK-N) fell by \$3.95 or 16.25% to US\$20.36 last Friday when the printer manufacturer cited lower growth in Europe and unfavorable exchange rates as cause for poorer than expected 2<sup>nd</sup> quarter sales and profits.

Michael Nairne - "The reality is that if you flip a coin 6 times, you end up with one of 64 different individual sequences. Each of the possible outcomes has an equivalent chance of occurring."

### **And then on Monday, July 16<sup>th</sup> -**

The new trading week begins with investors anxiously waiting to see if last Friday's one day market rally would carry over into day two today, while also remaining cautious of U.S. Fed Chairman Ben Bernanke's testimony tomorrow before the U.S. Senate Banking committee.

Moody's sites the weakened borrower standing of the Italian government for its reason to cut the credit ratings of thirteen Italian banks.

Gwyn Morgan - "Tiny teetering Greece has a national debt of €360-billion, Portugal and Spain owe €170-billion and €740-billion, respectively. Then comes Italy at a staggering €2.3-billion....**Building enough reserves to shore up the finances of Spain, Portugal and Italy would require the creation of more new money than in recorded history**, driving down the euro and triggering high rates of inflation."

The shares of CGX Energy (OYL-V) plunge by \$0.13 or 30.23% to \$0.30 when the petroleum explorer reports that safety issues caused it to suspend drilling and plug its Jaguar-1 well in Georgetown PPL, Guyana.

Research In Motion (RIM-T) shares' fall by \$0.26 or 3.50% to \$7.09 When a California court orders beleaguered smartphone company is to pay Delaware based Mformation Technologies US\$147.2-million in a patent legality dispute.

Reservoir Minerals (RMC-V) shares' surge up by \$0.49 or 75.38% to \$1.14 when the European mineral explorer reports very encouraging drill hole copper equivalent assays from its Timok Project in Serbia.

Socrates - "Let him that would move the world, first move himself."

### **Tuesday, July 17<sup>th</sup> -**

Monday's mixed first day of the week leaves Canaccord's Morning Coffee to report an increased 47 new 52-week trading highs to go along with 30 new lows. A mix of the new highs of interest includes Alimentation Couche-Tard (ATD.A-T) at \$48.60, Canlan Ice Sports (ICE-T) at \$2.25, Dundee REIT (D.UN-T) at \$39.08, Hardwoods Distribution (HWD-T) at 44.60, Mainstreet Equity (MEQ-T) at \$28.20, Patheon Inc. (PTI-T) at \$2.98, Rogers Sugar (RSI-T) at \$6.18 and Tekmira Pharmaceuticals (TKM-T) at \$3.22, while a few of the interesting new lows were Canadian Zinc (CZN-T) at \$0.34, DragonWave (DWI-T) at \$2.76, EXFO Inc. (EXF-T) at \$4.64, GENIVAR inc. (GNV.R-T) at \$20.95, Longview Oil (LNV-T) at \$6.97, Molson Coors Canada (TPX.B-T) at \$39.01, Precious Metals & Mining (MMP.UN-T) at \$6.25, Northstar Healthcare (NHC-T) at \$0.09, Quest Rare Minerals (QRM-T) at \$1.41, Strateco Resources (RSC-T) at \$0.28, Ur-Energy (URE-T) at \$0.70 and Western Copper & Gold (WRN-T) at \$0.66.

Oak-Brook Investments - "There is a tug-of-war between better-than-expected earnings in the financial sector and worries about the economy."

Plante Moron Financial advisors - "Evidence is increasingly clear that the U.S. economy is slowing."

U.S Fed Chairman Ben Bernanke tells their Senate Banking committee that - "We are looking for ways to address the weakness in the economy should more actually be needed to address the weakness in the labour market."

The U.S. National Association of Home Builders/Wells Fargo Builder Sentiment Index rises by 6-points in June to an improved level of 35.

The shareholders' of AuRico Gold (AUQ-T) are shocked to see their investment plunge by \$1.34 or 17.47% to \$6.33 when the Mexican miners' 2<sup>nd</sup> quarter gold production failed to meet the streets' expectations, and worse yet, the company lowers its production guidance for the year going forward.

Similarly, the shares' of Lucara Diamond (LUC-T) fall by \$0.11 or 18.03% to \$0.50 when the Botswana diamond miner once again fails to sell all of its stones in its second production auction.

The shares' of Heroux-Devtek (HRX-T) rise by \$2.57 or 32.74% to \$10.42 when the aerostructure and industrial products company announces that it has sold most of its operations to America's Precision Castparts (PVP-N) and better still, that the company will now refocus on its core business of designing and producing aircraft landing gear.

Agriculture stocks continue to outperform as Mosiac Co. (MOS-N) shares' gain \$2.84 or 5.13% to US\$58.21 when the fertilizer giant's 4<sup>th</sup> quarter financials top expectations, and better still, they announce a doubling of their quarterly dividend.

Mark Twain - "Let us endeavor to live so that when we come to die even the undertaker will be sorry."

### Wednesday, July 18<sup>th</sup> -

Yesterday's U.S. Fed Chairman Ben Bernanke's steady hand on the American economy allowed the TSX to report a balanced 44 new 52-week trading highs and 49 new 52-week trading lows. A collage of the new highs of interest includes Astral Media (ACM.A-T) at \$49.25, Boardwalk REIT (BEI.UN-T) at \$62.71, Coastal Contacts (COA-T) at \$3.57, First Asset Canadian REIT (RIT.UN-T) at \$12.39, Gazit America (GAA-T) at \$7.65, Jura Energy (JEC-T) at \$0.70, Liquor Stores N.A. (LIQ-T) at \$19.02, Morneau Shepell Inc. (MSI-T) at \$12.00, Norbord Inc. (NBD-T) at \$13.94, Primaris Retail REIT (PMZ.UN-T) at \$24.16, Riocan Real Estate REIT (REI.UN-T) at \$28.76, SIR Royalty Income Fund (SRV.UN-T) at \$12.21, and TMX Group (X-T) at \$40.56, while a mix of the new lows of note were AuRico Gold (AUQ-T) at \$6.33, Copper Mountain Mining (CUM-T) at \$2.81, Energy Leaders IF (HEN.UN-T) at \$10.64, Fortress Paper (FTP-T) at \$14.59, GLV Inc. (GLV.B-T) at \$1.50, Imperial Metals (III-T) at \$8.25, Katanga Mining (KAT-T) at \$0.47, Levon Resources (LVN-T) at \$0.31, Newmont Mining (NMC-T) at \$47.61, Olympus Pacific Minerals (OYM-T) at \$0.21, Research In Motion (RIM-T) at \$6.91, Semafo Inc. (SMF-T) at 43.23, Trican Well Services (TCW-T) at \$10.30 and Western Lithium USA (WLC-T) at \$0.14.

Gary Goldberg Financial Services - "We do expect The U.S. Fed to launch QE3 possibly by as early as August. The only game in town to revive or raise GDP growth is the Fed."

Technical analyst Don Vialoux - "The period for seasonal strength for gold bullion from July 12<sup>th</sup> to Oct. 9<sup>th</sup> started last Friday with a bang. Gold prices rose sharply on news that China's 1<sup>st</sup> quarter GDP growth came in at a healthy 7.6% annual rate. Gold stocks and related ETFs are expected to follow."

The U.S. Commerce Department reports their housing starts increased in June to a better than expected annualized 760,000 units.

CIBC calculates that **U.S. home-building stocks, with a combined gain of 54% so far this year, have been the top performing group within the 154 industry groups of the S&P 500 Index.**

ATAC Resources (ATC-V) shares rise by \$0.30 or 12.77% to \$2.65 when the mineral explorer reports more encouraging gold drill hole assays from its Rackla gold project in Canada's Yukon.

The shares' of Cogeco Cable (CCA-T) fall by \$6.60 or 14.38% to \$37.90 when the eastern Canadian cable company agrees to buy eastern U.S. counterpart Atlantic Broadband in a deal worth some US\$41.36-million.

Under the heading of 'Area Play' - The share prices of GoldQuest Mining (GQC-V) and Unigold Inc. (UGD-V) surge up by 22.45% and 20.00% respectively when both mineral explorers report encouraging drill hole gold assays from their neighboring Dominican Republic projects.

Rovi (ROVI-Q) shares plunge by \$7.64 or 43.29% to US 10.01 when the interactive programming and entertainment software company slashes its outlook for the rest of 2012.

Donald Cooper - "True innovators come with stuff that no one has thought of. These folks are often not good business people and have no idea how to commercialize a product, or a business."

#### **Thursday, July 19<sup>th</sup> -**

Wednesday's positive earnings season day in the markets leaves the TSX to report an improved 59 new 52-week trading highs to go along with a reduced 30 new lows. A number of the new highs of note include Agrium Inc. (AGU-T) at \$97.04, Bauer Performance Sports (BAU-T) at \$9.40, Canadian National Railway (CNR-T) at \$88.20, Gamehost Inc. (GH-T) at \$12.37, H&R Real Estate Investment Trust (HR.UN-T) at \$25.25, Intertape Polymer group (ITP-T) at \$8.31, Metro Inc. (MRU-T) at \$55.20, Northland Power (NPI-T) at \$18.90, Paladin Labs (PLB-T) at \$49.51, (QLT-T) at \$8.60, SIR Royalty Income Fund (SRV.UN-T) at \$12.30 and WestJet Airlines (WJA-T) at \$17.18, while some of the interesting new lows were Alexco Resources (AXR-T) at \$4.00, Barrick Gold (ABX-T) at \$34.41, Coeur D'alene Mines (CDM-T) at \$15.52, Excellon Resources (EXN-T) at \$0.43, Forbes and Manhattan Coal (FMC-T) at \$0.90, Genworth MI Canada (MIC-T) at \$17.15, Orezone Gold (ORE-T) at \$1.18, Pan American Silver (PAA-T) at \$14.25, Ram Power (RPG-T) at \$0.21 and Strathmore Minerals (STM-T) at \$0.24.

Fort Pitt Capital Group - "The theme coming out in earnings is companies are coming in short in revenue but still beat on earnings. Analysts have moved their targets lower and companies still are lean and mean and are able to generate profit."

Bank of Canada Governor Mark Carney - "Global monetary policy is not a 'cut and paste'. There is a very small amount of excess capacity in this economy."

Canaccord's Junior Mining Weekly - "The 2012 World Silver Survey reported estimated global silver mine supply of 761.6-million ounces in 2011. This represents roughly a 28% increase in global silver supply over the past 10-years. This increase makes sense, given that the price of silver has increased more than six-fold over the same period of time....The clear winner over the past decade is Mexico, which has seen its silver mine supply grow by 64.5-million ounces, (73% growth), and emerging as the clear dominant silver producing country in 2010."

The U.S. Labor Department reports their initial jobless claims rose by 34,000 claims last week to 386,000 claimants.

Atico Mining (ATY-V) shares' surge up by \$0.15 or 37.50% to \$0.55 when the south American mineral explorer reports encouraging drill hole copper/gold/silver assays from its El Roble project in Colombia.

The shares' of eBay (EBAY-Q) gain \$3.54 or 8.75% to US\$44.00 when the world's largest online auctioneer beats the street's expectations with its 2<sup>nd</sup> quarter financials.

Mellanox (MLNX-Q) surge up by \$27.61 or 41.59% to US\$93.99 when the Israeli chipmaker reports much better than expected 2<sup>nd</sup> quarter financials.

U.S. Department of Agriculture – “Persistent extreme June dryness across the central and eastern corn belt and extreme late June and early July heat from the Central Plains to the Ohio River Valley have substantially lowered yield prospects across most of the major growing regions.” And with that -

**Corn rises by another \$5.70 to close at a new record high of US\$8.16-a-bussel.**

**Natural gas rises by \$0.05 to once again move above \$3.00 to end the day at US\$3.02/mcf.**

**Crude oil gains \$2.56 to once again rise above \$90 to close at US\$92.43-a-barrel.**

John Wooden - “Promise yourself to be so strong that nothing can disturb your peace of mind.”

#### **Friday, July 20<sup>th</sup>, Short Strokes -**

Yesterday's Europe's all quiet day of optimism leaves the TSX to report 44 new 52-week trading highs and 32 new 52week trading lows. Some of the notable new highs were Algonquin Power & Utilities (AQN-T) at \$6.88, Boston Pizza Royalties (BPF.UN-T) at \$18.65, Cominar REIT (CUF.UN-T) at \$24.75, Great Canadian Gaming (GC-T) at \$9.94, Points International (PTS-T) at \$13.00 and Whistler Blackcomb Holdings (WB-T) at \$11.75, while some of the notable new lows includes Avion Gold (AVR-T) at \$0.41, Cogeco Cable (CCA-T) at \$34.45, Erdene Resource Dev. (ERD-T) at \$0.21, Glentel Inc. (GLN-T) at \$11.01, Horizons Silver Yield ETF (HZY.A-T) at 47.80, Norsat Int'l. (NII-T) at \$0.35, Shore Gold (SGF-T) at \$0.17 and Yellow Media (YLO-T) at \$0.03.

D.A. Dickson & Co. – “Europe has been quiet and earnings news, while not earth-shattering, is slightly better than expected. A trading range environment is how we see it.”

Statistics Canada reports the country's consumer Price index or CPI rose in June by 2.0%, down by 0.3% from the same month one year ago.

From the initial introduction of exchange traded funds in 1990, there are now over 250 ETFs trading on the Toronto Stock exchange.

The U.S. Energy Information agency calculates that every \$20 drop in the price of oil leads to an additional 0.4% or US\$60-billion of American gross domestic product (GDP).

Forbes magazine annual survey finds that **Manchester United is the most valuable sports franchise with a value of.....US\$2.23-billion.**

Under the heading of 'Safe Haven' - Statistics Canada reports that **foreigners bought a record \$15.5-billion of Canadian government bonds in May, while the U.S. Treasury reports that foreigners bought a record US\$5.26-trillion of their government treasuries in the same month.**

Dealogic calculates that since 2005, Chinese companies have spent about \$23-billion buying into Canadian based resource companies.

While Gold Fields Mining Services reports that with purchases of about 270-metric-tonnes of gold, **2012 will mark the first year that China will buy more gold bullion than all of the western countries combined.**

Environics Analytics calculates that the average Canadian household net worth was about \$363,202 at the end of 2011 while the average American household net worth was a little less at \$319,970.

**Natural Gas gains another \$0.06 to close at a new 6-month high of USD \$3.08 per mcf.**

Canaccord's Debbie Lewis - "I know right from wrong. Wrong is the fun one."

#### **For the Week-**

The DJIA gained 46-points to 12,823, the S&P 500 gained 6-points to 1,363, the TSX gained 108-points to 11,623, the NASDAQ gained 17-points to 2,925 and the JVX gained 9-point to 1,196.

Gold lost \$5.40 to \$1,583.80, Silver lost \$0.02 to \$27.28, Crude Oil gained \$3.99 to \$91.66, Natural Gas gained \$0.21 to \$3.08 and Copper lost \$0.06 at \$3.44.

The CRB Commodities Index followed crude oil, natural gas and soft commodities higher to gain 10.61-points to end the week at 304.57.

The Canadian dollar gained 0.21-cents against its American counterpart to close the week at US \$0.9874 and the Euro lost 0.82-cents against the greenback to end the week at US \$1.2158.

#### **And Finally -**

With all the clamoring about the seemingly eventual demise of Research In Motion (RIM-T), we find it of great interest that according to Solutions Research Group, RIM's portion of Canadian tablet sales has grown from 2% to about 19% in the past year. (Who knew.....?).

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