THE BLAKE TOMKINSON GROUP

The Week of January 3rd-January 6th, 2012
"A Brief Look Back Into Tomorrow"

Good Afternoon
Rod Blake was away this week and will be returning Monday January 9, 2012.

Happy New Year and welcome to 2012! The week that was started off about as perfect as one could expect, with a day off! When we finally did get back to work, here's what happened…..

"$6.3 trillion wiped off the markets in 2011" – Page 1 headline from the January 1 Financial Times
Despite all the gloomy headlines, here are 10 reasons stocks ***could*** fare better in 2012 than pessimists expect.

1. Canada/U.S. are best houses on a bad block.
The US isn't Europe, or Iraq, or as bad a place as the doomsayers insist, many Wall Street optimists say.
If it can address its dysfunctional government and deficit problems, "the U.S. will continue to be the 'least bad' place to invest for a number of years," says George Feiger, CEO of Contango Capital Advisors.

2. A happy ending in Europe is possible.
Despite the fears that a large European country such as Italy will default on its debts, causing a banking crisis there and possible financial contagion around the globe, the eurozone's debt crisis doesn't have to end in a worldwide financial crisis, says Stephen Auth, chief investment officer at Federated Investors.

3. Stocks are priced attractively.
The upside of all the angst about Europe, fears of recession and political gridlock is that stocks are not anywhere near overvalued -- they're selling below their historical prices relative to earnings.
The companies in the S&P 500 are trading at 12.2 times 2012's estimated earnings, well below the long-term average of 15.

4. Corporate earnings outlook still strong.
With holiday retail sales strong, manufacturing posting a decent performance and the housing market showing signs of life, the outlook for corporate profitability remains strong. While profit growth will decelerate to roughly 8 percent in 2012, vs. nearly 16 percent growth last year, according to S&P Capital IQ, analysts who track the companies in the S&P 500 expect them to post record earnings per share of almost $107.

5. The election cycle favors gains.
The fourth year of the presidential cycle is the second best for stocks, according to statistics going back to 1900 compiled by Citigroup. The S&P 500 has posted average annual gains of 7.8 percent in election years.

6. Housing, auto markets in recovery mode.
The bottom might finally be in for two of the hardest-hit sectors during the Great Recession in 2008-2009. Real estate analysts got upbeat news late in the year when housing starts were reported up 9.3 percent in November, a sign that low prices and super-low interest rates are spurring home buyers to sign contracts. Auto sales surged to an annual rate of 13.6 million in November, the best showing since the financial crisis.

7. 2011 uncertainties wane.
The stock market took investors on a wild ride in 2011. One day, the Dow would plunge 400 points, then surge 400 the next. Much of the volatility was caused by unusual factors, such as the earthquake and tsunami in Japan, unrest in the Middle East, political gridlock in Washington and Europe's debt crisis,, says Jeff Kleintop, investment strategist at LPL Financial.

8. History says stocks are poised to rise.
The bull market will enter its fourth year in 2012, and the average gain for the S&P 500 in the six bull markets that lived to see their fourth birthday since World War II was 9.5 percent, according to statistics compiled by S&P's chief equity strategist Sam Stovall. "And only one of seven bull markets that lived to age three failed to celebrate their fifth birthday," he says.

9. China 'hard-landing' fears are overblown.
Fears that China, the driving force behind global growth in recent years, will suffer a slowdown due to weakness in Europe and hurt the global economy, may be overblown, says mutual fund manager Louis Navellier. "China's 'slowdown' is like what happens at the Indianapolis 500 when race cars enter the banked curves. They 'slow' from 225 miles per hour to about 175 mph. I feel China and the rest of Asia will keep growing, almost no matter what happens in Europe."

10. No trend lasts forever.
It's likely the market is not in a permanent state of crisis, and current worries will pass. Then, fear will dissipate and investors will get back to focusing on stock picking and analyzing business fundamentals, not trading based on fear.

Tuesday January 3, 2012
Canada's resource heavy index was set to start the year on a strong note, as upbeat Chinese manufacturing data boosted investor hopes of higher demand for metals

and oil goods. Investors will focus on U.S and Canadian manufacturing data. Wall Street was also set for a higher open.
European stocks were mixed, with some support from a surprise drop in German unemployment, though the outlook was clouded with daunting schedule of debt issuance in the first quarter. Asian stocks closed higher. Brent crude rose above $110 a barrel as tension between Iran and the United States stoked supply disruption fears. Gold rallied almost 2 percent, boosted by a rise in the euro against the dollar, with the precious metal’s correlation to the common currency seen at its most positive in nearly two years.

There's been no shortage of stockholder (and customer) discontent directed at RIM in the past year, and needless to say, the names of the longtime co-CEOs — Jim Balsillie and Mike Lazaridis — occasionally come up in conversations about leadership changes. To help quell investor rumblings in mid-2011, the company announced that it was appointing an independent committee to review its leadership structure; one of the points of contention was the dual role of the co-CEOs as co-chairmen of the board, and a report today from Canada's Financial Post suggests that the committee might be gearing up to take action.
Undaunted by the environmental and geogoligcal challenges, two oil giants signed shale deals in the U.S. for a combined US$4.5-billion in one day. On Jan. 3, France's Total SA bought a 25% interest in Chesapeake Energy's Utica shale play worth US$2.3-billion, while China Petroleum & Chemical Corp, or Sinopec, took up a one-third interest in Devon Energy's shale projects for US$2.2-billion.

Wednesday January 4, 2012
"It's as if the Earth now has two moons instead of one and both are growing in size like a cancerous tumor that may threaten the financial tides, oceans and economic life as we have known it for the past half century," Bill Gross said in an investment letter released on PIMCO's website.

Canada’s main stock index was set for a lower open as fears over euro zone’s debt refinancing intensified after the German bond auction failed to impress investors. U.S. stock index futures fell after a sharp market rally in the previous session, as investors focused again on Europe's debt problems. European stocks were down with banking shares falling nearly 3 percent. Most Asian stocks ended lower. The euro dipped against the dollar as a short-squeeze rally from the previous day petered out.

Oil fell slightly but was not far from seven-week highs set earlier in the session, supported by fears of possible supply disruptions from Iran and by strong economic data from the United States and China. Gold eased but was still near one-week highs on signs of improved consumer demand in Asia, prompted by last week's price drop.
Greece's prime minister says his debt-crippled country faces a disorderly default in March if it fails to secure a continued flow of international rescue loans. Prime

Minister Lucas Papademos says decisions made in the next few weeks, ahead of a new visit by international debt inspectors, will determine whether Greece will remain in the 17-nation eurozone or revert to its pre-2002 currency, the drachma.
By the end of the day, stocks had barely budged, and investors held on to their gains from a strong opening to the year. It wasn't much, but after the lurching, up-and-down weeks of 2011, investors were grateful for the winning streak.

Thursday January 5, 2012
"I can calculate the movements of heavenly bodies, but not the madness of people." – Sir Isaac Newton
Toronto's main stock index was set for a lower open, as worries on refinancing in the euro zone grew with investors at France's debt auction demanding higher yields. Canada producer prices and raw material prices are on the economic calendar.
Wall Street was set for a lower open. European stocks fell, adding to the losses in the previous session, weighed by concerns about the banking sector's ability to raise more capital. The euro hit a 15-month low against the dollar. Most Asian stocks ended lower. Oil was steady as geopolitical tensions kept a floor under prices, following a European Union agreement to stop importing Iranian crude, but a stronger dollar capped gains. Gold was trading lower.

President Barack Obama unveiled a defense strategy on Thursday that would expand the U.S. military presence in Asia but shrink the overall size of the force as the Pentagon seeks to slash spending by nearly half a trillion dollars after a decade of war. Cyberwarfare and unmanned drones would continue to grow in priority, as would countering attempts by China and Iran to block U.S. power projection capabilities in areas like the South China Sea and the Strait of Hormuz.

Five oil sands companies have revealed themselves as supporters of the controversial Northern Gateway pipeline, lending their names to a massive infrastructure proposal that has stirred intense opposition in Western Canada. Cernovus Energy Inc, MEG Energy Corp, Nexen Inc, Suncor Energy Inc, and Total E&P Canada have each spent money to help develop the $6.6B pipeline, which, if built, will funnel massive volumes of oil sands crude to the West Coast for export.

Kodak is preparing for a US bankruptcy protection filing in the coming weeks should efforts to sell a trove of digital patents fall through, people familiar with the matter said Thursday.

Friday January 6, 2012
Asian stock markets fell Friday as signs of financial stress emerged in Italy and

Hungary, but European shares turned higher as attention turned to the impending release of monthly jobs data showing gains in U.S. employment.
European stocks rose on Friday as investors set aside concerns about the euro's debt crisis to focus on the impending release of monthly U.S. jobs data, which many hope will confirm a mild recovery in the world's largest economy.
Toronto's resource heavy index looked set to open higher as stronger commodity prices offset the dwindling investors' sentiment due to rising unemployment rate. Despite the new hires, the unemployment rate rose to its highest level since April to 7.5 percent from November's 7.4 percent. U.S. stock index futures rose modestly as investors cautiously awaited the latest employment report for further evidence the economy was on track to recovery.
Banks and commodity stocks led European shares while markets in Asia ended lower. Oil was up on concerns over any possible supply disruption due to mounting tensions between Iran and the West. Gold was trading around $1622 an ounce, and is expected to range between $1,522 and $1,721 per ounce over the next four weeks, before eventually slipping below $1,522.
First Quantum exited the DRC with $1.25 Billion dollars it was reported Friday after the Vancouver based copper miner settled its claims with the new owner of its projects after the assets were nationalized. "It brings to a close First Quantum's current involvement in the DRC and secures substantial compensation for our shareholders for the loss they have suffered." First Quantum chairman and CEO Phillip Pascall said in announcing the agreement.

Interesting times…………….and thanks.

Rod Blake, AScT
Investment Advisor
rod.blake@canaccord.com
T: 604.643.7567

Jason Tomkinson, BA (Econ)
Investment Advisor
jason.tomkinson@canaccord.com
T: 604.661.7845

Meghan Flather
Administrative Assistant
meghan.flather@canaccord.com
T: 604.643.7333

Evan Davies
Administrative Assistant
evan.davies@canaccord.com
T: 604.643.7065

Looking for investment or trading ideas? Give us a call, we can help. Toll free 1-800-663-1899.

To view previous editions of "The Week", "Articles of Interest" or to learn more about The Blake Tomkinson Group please visit our website at www.rodneyblake.com.

Our mission is to maximize the value of your portfolio through a dedication to investigation, research and innovative ideas, and to enhance your investment experience by providing the highest level of attention to detail and service available in the financial community.

Sources: Bloomberg, Thomson Reuters, MarketWatch, Globe & Mail, Wall Street Journal, Dow Jones, Financial Times, National Post, Briefing.com, Credit Suisse, and StreetAccount.