



# SERIOUS MONEY, YOUR MONEY

CANACCORD Wealth  
Management

## Kent Coulter, Senior Investment Advisor

T: 780.408.1511

## Corinne Richard, Client Services

T: 780.408.1752

## Conor Clarke, Client Services

T: 780.408.1751

[www.kentcoulter.com](http://www.kentcoulter.com)

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2700 Manulife Place, 10810-101 St  
Edmonton, AB T5J 3S4

TF: 1.877.313.3035 Ext. 1511

F: 780.408.1501

We are seeing many more positive signs that would lead to a market advance in Q3. Sceptics are multiplying and even Robert Prechter is gaining headlines. He now sees another dramatic bearish market target. His latest epiphany that the Dow will fall below 1000 sounds inversely similar to the forecasters prognosticating Dow 36,000 in 1999. The answer to our question is that the move sharply upward on Wednesday, June 7 is a rally. A number of economic sensitives established meaningful lows in early June and the subsequent price action failed to break those prices. Several of these stocks are global infrastructure plays. They are developing interesting longer-term patterns suggesting reasonable returns for the rest of the year.

Why the belief that the markets can improve?

Too many short-term traders are aggressively trading big name, highly influential members of benchmark indices. One hundred names in the S&P500 have frequently accounted for over 50 percent of total volume in the last month.

We do believe that as earnings' season unfolds and confidence in the Euro stabilizes, that market will focus again on fundamentals of corporations. Companies will become active in merger and acquisition decisions to employ the swelling levels of underutilized cash. Previous publications identified the specifics for investor vigilance: ECRI Failed to break below the zero line for the 52-week rate-of-change, but it has struggled—just not as badly as equity prices. The Australian dollar dove with the markets as fear of a weakening Chinese economy would override the reduction in mining taxes.

Volatility should remain high—we could, once again, dip below 1040, but not for long. The rail numbers for weekly shipments are at good levels and suggest economic growth. Latest data from the American Trucking Association states the seasonally adjusted freight volumes have jumped a total of 6.1 percent over the past eight months. The US ISM non-manufacturing index gave a weaker month-over-month reading. However, a reading of 53.8 percent suggests that services (90 percent of the economy) is expanding but at a slower rate.

Probably the most disconcerting event over the last two weeks is the fall of yields on government debt across the curve. The US 2-year yield fell to a new post-World War II level low of 58.56 basis points! A clear statement that investors are convinced that deflation will dominate over the next 2 years. We question that belief, and expect overall price stability with lots of individual price movements within the commodity complex. The Russell 2000 is a key barometer of small business in the US. The index level fell in June, but did not establish a new 2010 low. Job creation in the US will be difficult and we reiterate that with the weak stock performance of many small caps employment increases will be postponed once again—but so will rate increases.

The difference between this year and last year is no further dramatic job cuts are likely to occur.

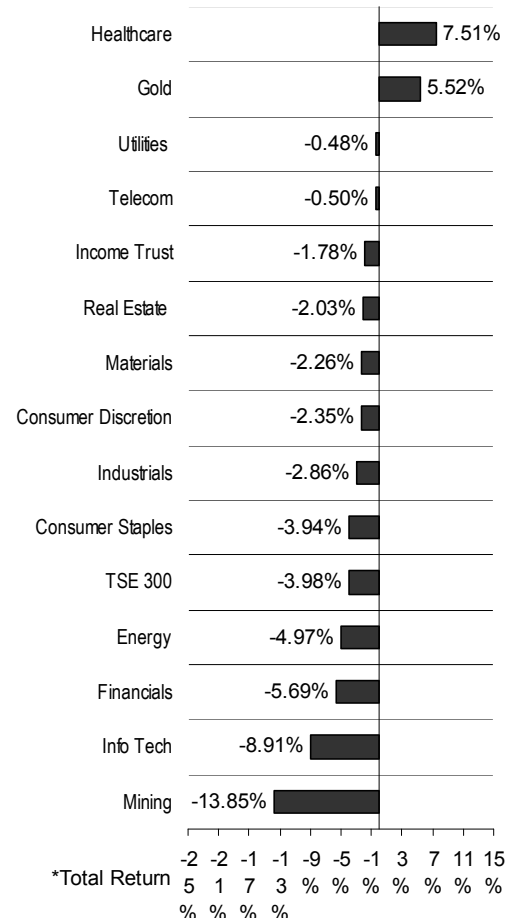
Our very reliable indicator, the Association of American Railroads data is pointing to continued economic expansion. This seems at odds with a number of doomsayers—but this indicator warned on the downside and signalled the worst was over in Q1 2009 for the economy. We trust this indicator more than the frequently adjusted government data; and considerably more that the cast of permanently bearish forecasters.

Source: David Prince, Harbinger Capital Markets Research for Canaccord Genuity

### Stock Market Indices (June, 2010)

	1 Month	3 Month	1 Year
S&P/TSX Comp	-3.98%	-2.28%	13.38%
Dow Jones	-3.58%	-9.97%	15.71%
S&P 500	-5.39%	-6.84%	18.50%

### Monthly TSX Sector Returns



**Thanks for the Referrals!!!**  
L.&B.C.

## Realized Capital Gains Tax Savings Idea

Federal and provincial governments provide individuals with a preferential tax treatment on realized capital gains, so that only 50% is treated as income for tax purposes. Nevertheless, the implication is that Canadians will pay enormous taxes when these securities are eventually sold. Moreover, the outlook is for financial returns to remain relatively modest by historical standards, implying that tax minimization should be a priority for investors. If individuals have an inclination to make charitable donations, they can do so and at the same time minimize tax payments by giving securities. Contributing securities is highly attractive because the individual receives a tax credit for the donation and also avoids paying taxes on the capital gains accumulated on the securities. Donating securities directly is also superior to selling the securities and then donating the cash received.

	Sell Securities & Donate Cash	Donate Securities to Charity	
			<b>Chairity Receives</b>
<b>Current MV</b>	\$ 10,000.00	\$10,000.00	
<b>Adjusted Cost Base</b>	\$ 2,000.00	\$ 2,000.00	
<b>Capital Gain</b>	\$ 8,000.00	\$ 8,000.00	
<b>Taxable Capital Gain (50%)</b>	\$ 4,000.00	\$ -	
<b>Tax on Capital Gain</b> <small>(assuming 39% marginal tax rate)</small>	\$ 1,560.00	\$ -	
<b>Tax Credit on Donation</b> <small>(assuming 39% marginal tax rate)</small>	\$ 3,900.00	\$ 3,900.00	
<b>Net Tax Saving</b>	\$ 2,340.00	\$ 3,900.00	<b>You Receive</b>
<b>Total benefit of donating \$5,000 of appreciated securities over an equivalent gift of cash: \$1560</b>			

<b>Money Market (As of July 12, 2010)</b>				<b>Interest Rates (As of July 12, 2010)</b>			
<b>Term</b>	<b>Treasury Bills</b>		<b>Commercial Paper</b>	<b>Term</b>	<b>GICs</b>	<b>Stripped Coupons</b>	
	<b>US</b>	<b>CDA</b>				<b>Canada</b>	<b>Ontario</b>
1 month	0.16%	0.25%	1.11%	1 year	1.60%	0.76%	1.93%
3 month	0.16%	0.50%	1.31%	3 year	2.81%	1.56%	2.20%
6 month	0.20%	0.78%	0.85%	5 year	3.35%	2.66%	3.05%
1 year	0.30%	1.04%	1.29%	10 year		3.15%	3.89%
				20 year		3.73%	4.55%
				30 year		3.71%	4.61%

All charts and graphs in this newsletter were created by Kent Coulter's staff.

### My Mission Is:

**To serve anyone who seeks the unbiased advice of a professional investment advisor to help secure their future, through the use of financial products that fit your needs.**

For more extensive information on any of the above mentioned securities, or if you have an investment that is troubling you, please contact me at (780) 408-1511.

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