



Talking Points BNN April 14 2010

We continue to be very positive on the prospects for global large cap stocks especially North American equities. Our bullishness is predicated on three factors:

- 1) Global economic growth is responding to fiscal and monetary stimulus and that growth will accelerate as 2010 unfolds. Improvement in the jobs market should begin to be evident by the summer.
- 2) Corporate earnings are rebounding and are typically well above analysts expectations
- 3) Stocks are very attractive when compared to cash yields (zero) or government bond yields (4%) so stocks are the beneficiary of investment cash flows.

The bottom line is that investors should be at the maximum equity allocation in their portfolio. For most investors, that suggests owning index tracking investments such as the TSX 60 (XIU), S&P 500 (XSP) and Emerging Markets (CWO). We suggest that investors stick to currency hedged ETFs when investing outside of Canada as the C\$ may continue to strengthen.

In Canada we prefer cyclical stocks over financials. Canadian financials have had a great 12 months – the relative performance of this group may begin to lag the overall TSX. For investors who want to play the cyclical trade the easiest way is through the ishares materials sector ETF ticker XMA on TSX.

Our number 1 pick remains US financials especially the financial services ETF ticker XLF listed in NY. Bank earnings will continue to be significantly above expectations initially from investment banking/trading operations and then from the decline in credit losses. We think that the ishares Financial Services ETF- XLF could double from current levels before this cycle is over. The shares are currently \$16.75 and the previous peak in the summer of 2008 was in the mid 30s.

Terry Shaunessy