



ALCOA and the analysts and turkeys. *MARKET AND INVESTMENT REVIEW ----- October 9th, 2009*

- It's Thanksgiving in Canada (enjoy) and the turkeys this year may well be the folks in the financial community that call themselves 'analysts'.
- Over 70% of analysts' Q2 corporate quarterly earnings forecasts had to be revised upwards --- i.e. they were wrong --- providing a measure of just how resolutely negative the street is. So OK, was the lesson learned?
- Apparently not. Aluminum producer and market bellwether **Alcoa Inc.** posted a 'surprise' Q3 profit of U.S. \$ 77 million or 8 cents per share. The analysts' forecast: a loss of 9 cents per share. The analysts got it wrong by over 200%! Don't look for an apology.
- Alcoa's chief product is aluminum. The company is forecasting strong growth (11%) in global demand. Aluminum is used to make everything from automotive parts, aircraft to bicycles and pop cans.
- Other economists and analysts whose research we have been reporting here for the past year have been alerting anyone who would care to listen that optimism is in very short supply. An up-swell of economic activity --- which will seem like tsunami because no one is believing it --- is expected.
- Last week Jim Grant put it in perspective when he noted that as the excessive optimism of the previous market cycle dies, it gives birth to excessive pessimism. He expects the recovery to be 'a bit of a barn burner'.
- So, after your turkey dinner, when your gut is full and perhaps you're a little lightheaded, if you have not already done so, reconsider your asset allocation and top up the stock exposure. Currently the portfolios we manage have a 65% - 70% equities exposure.
- Happy Thanksgiving!!!!

For more info call Mark Kryzan or Terry Shaunessy at 403-802-3108.

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