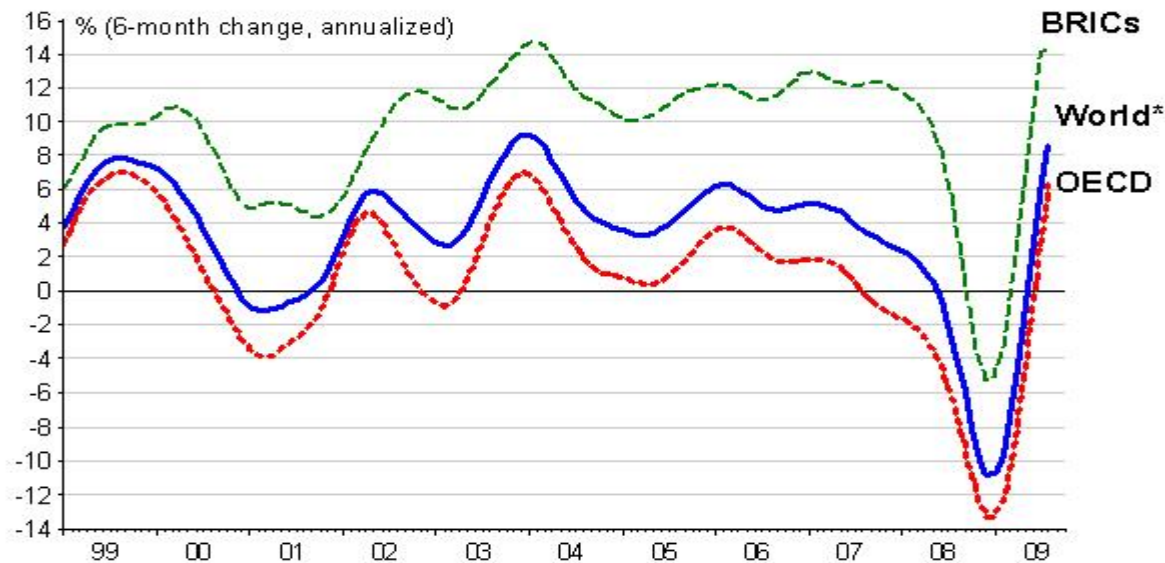


- This is courtesy of **Stefane Marion** of the **National Bank**. His view is that the global economy is set “to accelerate markedly in the coming months”. The **Leading Economic Indicator (LEI)** for the main industrialized countries was up a robust 1.3% in August ---- a change in the six-month indicator of 6.3%, the strongest showing since February 2004. This improvement comes at a time when **BRIC** and other global economies are also experiencing record increases in economic activity suggesting an above-trend global growth into 2010.

## World: LEIs suggest above-trend growth

*Leading economic indicators*



\* Weighted 70% OECD, 30% BRIC  
 NBF Economy & Strategy (OECD data via Datastream)

- At the same time there is a sizable disconnect in capital markets as investors continue to shun stocks. According to the **Investment Company Institute (ICI)** investors bought U.S.\$54.8 billion in bond funds in September while reducing equity exposure by U.S. \$13.1 billion. Overall bond funds have been the main beneficiaries of the redeployment of sidelined cash since March, with no less than U.S. \$221 billion in inflows and only U.S.\$43 billion going into equity funds. Investors, having been burned twice in the last ten years are reticent to let equities exceed 40% of their portfolios.
- Unfortunately, investors with this backward looking strategy run the risk of not having enough stock exposure to recoup 2008 losses in 2009 and may suffer additional losses in 2010 as bond yields rise on the strength of the economic recovery. In our clients' balanced portfolios, global equity exposure is currently 65% - 70%, or near maximum.
- Remember **Warren Buffet's** maxim? "Be fearful when others are greedy, and be greedy when others are fearful." It's not too late to be a little greedy.

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

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