

The 2010 BLIND Squirrel Award!!!

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The 2010 Blind Squirrel Award: Like someone once said: "market forecasters are there to make fortune tellers look good" and so in 2009 we created an award to honour their valiant if misguided efforts. Last year's winner was **Jeffrey Rubin**. His key projection was that the Canadian dollar would equal the U.S. dollar, which, it did for the first time in 31 years in 2007. This emboldened him to predict in 2008 US\$225 for a barrel of oil by 2012. Today, he's left **CIBC** to speak to his vision of the coming 'peak energy' economic and social order.

The award's premise is that market forecasters, like blind squirrels may, over a life time of searching, stumble upon a stash of nuts. These blind squirrels, believing in their ability to see the future then go on to make career of it, often becoming both bolder and less precise in the process.

There are many worthy recipients for the **2010 Blind Squirrel Award**. For example, **Meredith Whitney**: she's the very bearish analyst who disliked U.S. financials and warned investors to get out in a timely manner. But by July 2009, Meredith reversed course and recommended that investors buy **Goldman Sachs**. Sadly (for investors who took her at her word), it took Ms. Whitney from March, when she first issued a neutral signal, to July when she had the courage to issue a buy signal. In that time **Goldman Sachs** had moved up 66%. There are others who are perhaps just bearish by nature and thrived on the bad news in 2007/08, but then got things consistently wrong in 2009. **Nouriel Roubini** (a.k.a. **Dr. Doom**) deserves special distinction. It seems a touch unfair to single out anyone, but in Canada one 'expert' stands out. Here he is in his own words in November 2009:

The [U.S.] market is overvalued, overbought, overextended. By some measure the S&P 500 is already at valuation levels that would ordinarily be consistent with an economic expansion five years old as opposed to a recovery that, at best, is in its infancy...The United States is a fiscal train wreck.

Now, you might wonder why Gluskin Sheff wanted to hire me --I'm so bearish. Why would they want me, unless they wanted to give me a mop and a pail? But the reality is that there are many different strategies: credit arbitrage, fixed income, hedge fund strategies. It's very exciting, because you know what? I'm a closet bull. I can find the needles in the haystack. When people see me on TV they call me bearish, because according to CNBC and Fox and BNN there's only one market and that's the stock market. There's no currency market, there's no commodity market, there's no fixed income market. People are going to judge you on whether you're a bull or a bear on the S&P500. I don't really think that's fair, but I can live with that.

David (Rosie) Rosenberg, Chief Economist and Strategist, Gluskin Sheff + Assoc. Inc.



U.S. stocks in 2009/10 are on a historic run, economic growth both in the U.S. and globally is strong and getting stronger while the fiscal basket cases are in Europe. To give our **2010 Blind Squirrel** his due, he's a 'trophy economist' with a sterling C.V. and did correctly anticipate the U.S. housing and consumer collapse. Lately Mr. Rosenberg's position may be less stark, but he is firm in his view (which he asserts is contrarian) that the U.S. is in a "very low quality recovery" and only half way into an 18-year secular bear market; deflation not inflation is the greater risk; and, the world is operating in a new paradigm of continuing secular credit collapse. Canada is in the sweet spot halfway through a secular period of out-performance and, says Mr. Rosenberg, "at no time in my professional life have the downside risks – economic, fiscal, financial and political – been so low on a relative basis and the upside potential so high [in favour of Canada] as today."

And who knows, he may yet be half right, but these assertions are unequivocal and can lead to an unbalanced or narrow investment stance and do give reason to pause and consider the wisdom of following any one view too closely. By way of contrast, we also listen to **TD's** low key **Market Strategist, John Aitkens** and the unassuming folks at the **National Bank Financial**, who diligently process macro-economic data and come up with the very opposite conclusions from Mr. Rosenberg. The point of the exercise is not to publicly excoriate Mr. Rosenberg (or heap praise on others), but merely to point out that to rely too heavily on advice about the future, is to abandon balance, prudence and even common sense as so many investors did in 2009. In our view, **David Rosenberg** merits this year's award for being Canada's most outspoken and unreasonable bear.

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