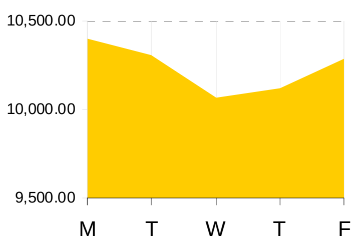
For the week ending

June 19, 2009

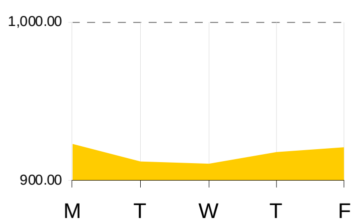
AGF Week in Review

From the desk of:
Martin Hubbes
Chief Investment Officer

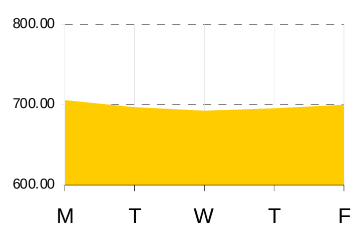
S&P TSX
10,288.0
-357.0
-3.4%



S&P 500
921.2
-25.0
-2.6%



MSCI WORLD
700.6
-21.1
-2.9%



Source: Bloomberg, Local Currency

*** Note: Click on the titles above to go directly to that article.**

AGF

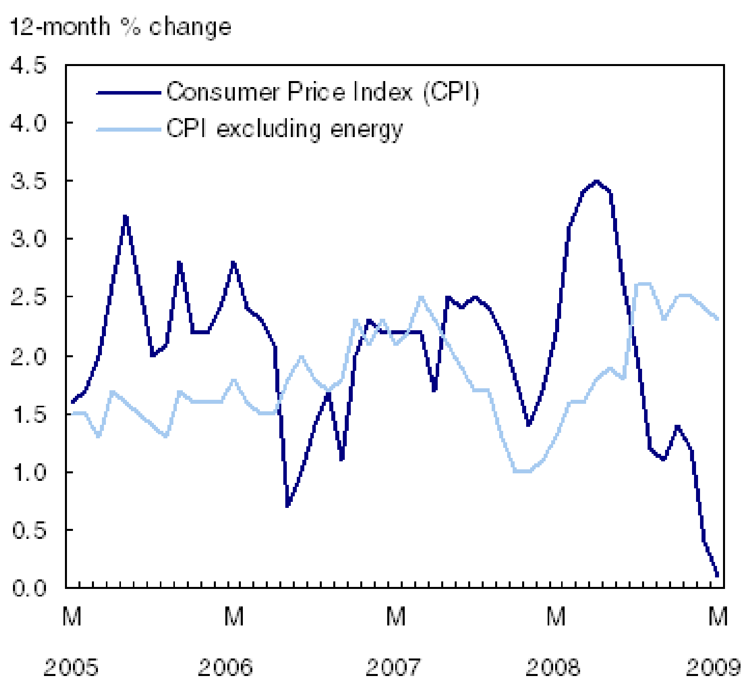
What are you doing after work?

Economic News

Canada's CPI unexpectedly rose in May (+0.1%)

- Economists predicted a decline of 0.2% from a year earlier, but higher costs for food and household needs translated into a 0.1% rise in prices.
- Even though the rate of growth fell from 0.4% in April, the fact that they rose more than expected could hamper the Bank of Canada's ability keep interest rates low as they pledged to do until 2010.
- Higher prices, although bad for consumers, indicates that the economy is recovering.
- The report also means that the Bank of Canada will likely not resort to quantitative easing to inject more liquidity as that could potentially lead to more inflation down the road.
- Food prices were up 6.4% in May while gasoline prices were down 25% helping to mitigate some of the rise in the annual index.

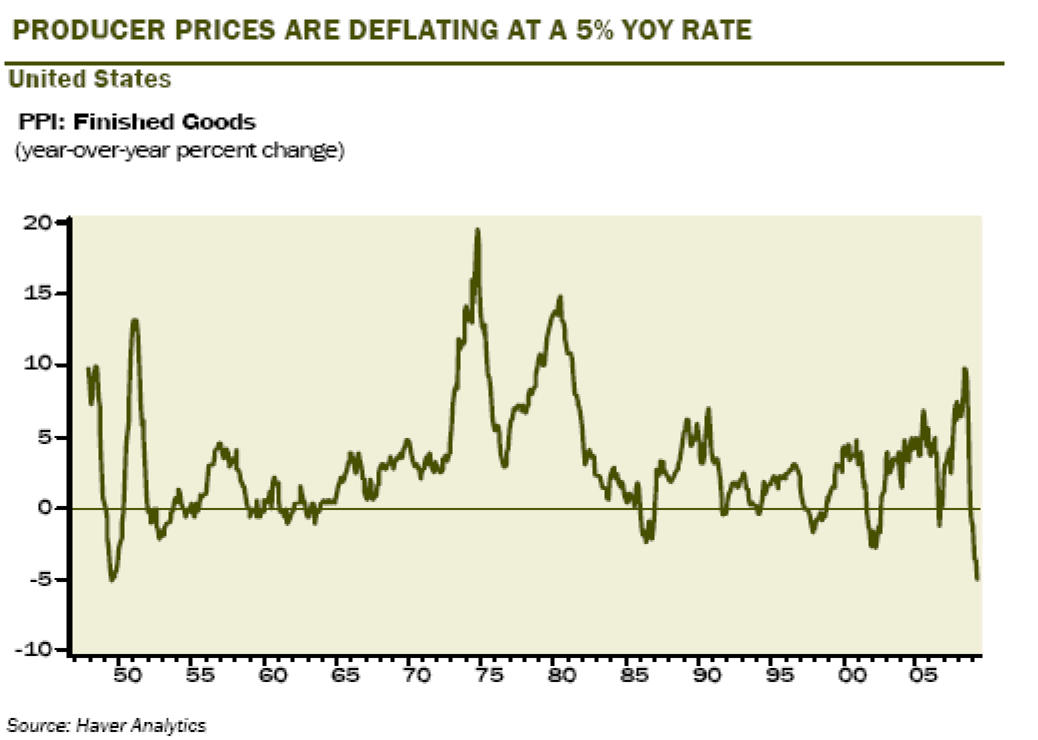
12-month change in the All-items CPI slows while the CPI excluding energy remains relatively stable



Source: Statistics Canada

U.S. CPI and PPI reported lower than expected

- On a month-over-month basis, US consumer prices rose less than expected in May. Analysts forecasts had projected a 0.3% increase, however the U.S. Labor Department reported that prices increased only 0.1%.
- The weak May data left the year-over-year prices showing their largest annual percentage drop since 1950 at 1.3%.
- Weaker oil prices was a major contributor to the year-over-year negative reading on overall CPI.
- Core CPI, which excludes food and energy, showed a modest year-over-year increase of 1.8%, roughly in-line with long-term averages.
- For producers prices, the decline was much greater, falling 5.0% year-over-year.

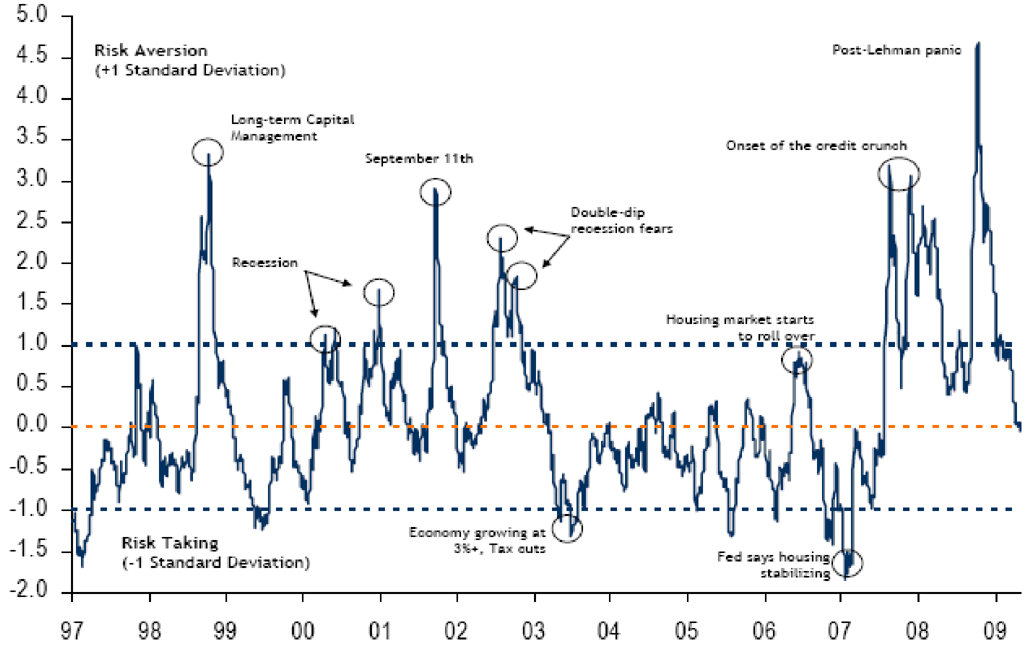


Financial risk is starting to normalize

- According to Bank of America Economics, financial risk has come out of the market and is at more normalized levels. The group produces a Financial Stress Index, which looks at a number of factors including: TED Spread, VIX Index, corporate bond spreads and currency crosses, among other factors, measures investor appetite to risk.
- A value that is at least one standard deviation higher than the historical average of the index signals risk aversion while a level that is at least one standard deviation below the historical average of the index is considered risk taking.

- The Index reading peaked in late 2008 at the time of the Lehman Brothers collapse and has been on a downtrend since.
- The current level of -0.12, indicates that the index is 0.12 standard deviations below its historical average, and is at the lowest level since July 2007, suggesting that financial conditions are starting to normalize.

Banc of America Securities-Merrill Lynch Financial Stress Index (five-day moving average)



Source: Banc of America Securities-Merrill Lynch

U.K. Unemployment Rises at Slower Pace

- There was further evidence that the worst of the U.K. recession may be over, with unemployment rising at its slowest pace in 10 months and April's increase revised downward, official data showed Wednesday.
- The Office for National Statistics reported that the jobless count rose 39,300 in May, compared with April's 49,600 increase. The count rose by 136,000 back in February. The corresponding unemployment rate rose to 7.2% from the previous three months.
- With many employers able to freeze salaries or contain wage increases, there was less pressure to reduce head count. A key reason for the moderation in unemployment rate.

World Bank raises China GDP forecast

- The World Bank raised its forecast for 2009 gross domestic product growth to 7.2%, saying the apparent success of the government’s Rmb4,000 billion stimulus package had improved the outlook. It also expects China’s economy to grow 7.7% in 2010.

- The government stimulus package has largely been directed towards new infrastructure projects and other fixed asset investments, raising the already very high proportion of China's growth generated in those areas. The goal is now to shift its growth model away from investment and towards a more consumption-driven economy.

MSCI makes changes - Israel wins, Korea left out

- MSCI Inc. announced changes to their benchmark global indices, indicating it will raise Israel from emerging market to developed market status. Israel will be reclassified in the MSCI World Index and in the MSCI EAFE Index (change to take place in 2010).
- To be included in the developed market indices, only securities of companies domiciled in Israel that have a listing on the Tel-Aviv Stock exchange will be eligible.
- Meanwhile Korea and Taiwan, countries which were thought might also make the climb to developed market status, will instead maintain their emerging markets status for now. However, each will remain under review for a potential reclassification to developed markets as part of the next annual market classification review.

US housing starts, building permits soar

- Housing starts rose 17.2% to an annual rate of 532,000 followed a 454,000 pace in the prior month, with multi-family homes showing the biggest gains.
- Building permits for multi, an indicator of future construction, also rose more than estimated.
- This offered a sign that the industry's slump, in its fourth year currently, may be approaching an end.
- Lower prices and tax incentives are attracting buyers, potentially laying the groundwork for housing to rebound and reduce its drag on the economy.
- However, a sustained homebuilding recovery may take longer to emerge due to rising unemployment and mounting foreclosures.

Philly Fed shows lower contraction activity

- The Philly Fed Index, which monitors manufacturing activity in the mid-Atlantic region, showed a much better result than anticipated for its most recent reading.
- The index which indicates contraction with negative numbers was reported as -2.2, well above the expected figure of -17.0 and much better than the previous reading of -22.6.
- The Philly Fed noted that many of its indicators for future activity are showing signs of improvement, suggesting that executives in the manufacturing sector are becoming more optimistic of a recovery in the next six months in the region.

Company News

RIM reports earnings sees smartphone battle heating up

- Blackberry maker Research in Motion (RIM) reported solid earnings Thursday, beating analyst expectations, but offering a disappointing outlook going forward.
- The company reported adjusted income of US$0.98 per share, ahead of expectations of US$0.92 per share, but gave an outlook that was roughly only in-line with analysts' estimates, causing the shares to sell off after the announcement, after climbing almost 60% over the past three months.
- Research in Motion also announced that it is releasing a new phone (Blackberry Tour) that is compatible with foreign networks, runs on the 3G platform and adds new features in a bid to compete with Apple's iPhone and Palm Pre.
- Early signs are that the Palm Pre is failing to lure away customers so Apple remains the main rival in the fast growing smartphone market.
- In a direct jab at Apple, the new phone includes MediaSync, a program that makes swapping music files between Apple's iTunes and the Blackberry easier, although clearly Apple also benefits if people purchase media from the iTunes store.
- RIM's product pipeline appears to be running at full speed as they are also working on a new version of the touch-screen Storm that will include a pullout keyboard similar to Palm's Pre.
- RIM, Apple and Palm (among others) are all going after the smartphone market because while worldwide cell phone sales fell in the first quarter of 2009, smartphone sales continued to grow despite the deepening recession, and given their 13.5% share of total mobile device sales, there is still substantial room for growth.

FedEx sees lower volumes going forward

- As the second largest U.S. package-shipping company, some market commentators look at FedEx as a barometer of the broader economy since lower shipping volumes indicate the economy is depressed.
- Based on its forecast of earnings for the most recent quarter, it looks like the economy is not out of the doldrums just yet.
- The company said earnings will be around US$0.30 to US$0.45 a share for the period ending August 2009, well below analyst estimates of US$0.70.
- FedEx CEO Fred Smith said economic conditions were difficult but he told analysts on a conference call that the worst of the recession is likely past.
- Investors appear to be losing patience with the "less bad" is good theme and are looking to companies such as FedEx for hard evidence that the economy is actually improving - evidence which has thus far eluded them.

- This may explain the recent increase in volatility as the VIX (volatility index) is now above 30 again after falling below 27 earlier this month, hence fasten your seat belts as investors are still in for some choppy markets ahead.

Potash Corp. of Saskatchewan comes under fire

- Shares of Potash Corp. fell by about 10% on Wednesday after European potash giant K+S AG warned that current prices for the fertilizer are unsustainable for large quantities.
- Because the number of potash producers in the industry is so small, they have in the past have been able to easily respond to periods of lower demand by cutting production in order to maintain price levels. Since August 2008, Potash Corp. has reduced by 5.5 million tonnes the amount it produces.
- However, the recent announcement by K+S seems to have caught North American producers off guard and that demand has fallen by more than anticipated.
- Potash contracts are typically negotiated for long-term periods, instead of based on spot prices. A three-year contract with China is due for renewal this year and the negotiated price for the fertilizer will have a significant impact on upcoming earnings.

GSK in generic drug alliance

- GlaxoSmithKline stepped up its expansion into emerging markets, striking an alliance to sell more than 100 drugs of Dr Reddy's, the Indian generic pharmaceuticals maker, in Africa, the Middle East, the Asia Pacific and Latin America.
- The move marks intensifying interest by pharmaceutical companies in expanding into generics as their medicines go off patent. With sales growth in the US and Europe flagging, drugs companies are competing to expand in emerging markets where selling large volumes at lower prices is more important.
- Seven emerging nations – Brazil, Russia, India, China, Korea, Mexico and Turkey – could account for 70 per cent of pharma sales growth by 2020, according to a study by UBS.
- The GSK deal, effective immediately, gives the company access to Dr Reddy's portfolio and future pipeline of more than 100 branded pharmaceuticals in areas such as cardiovascular, diabetes, oncology, gastroenterology and pain management.

S&P reduces credit rating on 18 US banks

- Standard & Poor's reduced its credit ratings on 18 banks, citing tighter regulation and increased market volatility.
- BB&T, Capital One Financial, Regions Financial and Wells Fargo were among the largest banks that saw their ratings cut by S&P.
- Ratings were also reduced on Associated Banc, Astoria Financial, Carolina First Bank, Citizens Republic Bancorp, Comerica, Fifth Third Bancorp, Huntington Bancshares,

KeyCorp, Susquehanna Bancshares, Synovus Financial, U.S. Bancorp, Webster Financial, Whitney Holding, and Wilmington Trust.

- The ratings of Carolina First Bank, Citizens Republic Bancorp, Huntington Bancshares, Synovus Financial and Whitney Holding were cut to junk status from investment-grade levels. The other banks all saw their ratings remain at investment-grade levels.

The week ahead

- U.S. economic releases – FOMC interest rate announcement, GDP (Q1 – final)
- Canadian corporate earnings – Research in Motion
- U.S. corporate earnings – Walgreen, Nike, Monsanto

Sources: Bloomberg, Associated Press, Wall Street Journal, Thomson Corp. and Reuters

Market Data

CANADIAN EQUITY INDEXES ($CDN)	Close	Return (%) Week	YTD	Annualized Return (%) 1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
S&P/TSX Composite PR Index	10288	-3.4	14.5	-30.4	-2.2	4.0	3.9	14,854	7,480
S&P/TSX Composite TR Index	26739	-3.3	16.4	-27.9	0.6	6.6	6.1	36,838	19,470
Energy TR	2952	-6.8	20.2	-35.9	-2.3	12.0	n/a	n/a	n/a
Materials TR	2771	-5.0	11.4	-31.8	12.3	13.8	n/a	4,270	1,612
Industrials TR	1071	-0.8	4.2	-25.4	-0.9	4.5	n/a	1,467	790
Consumer Disc. TR	958	1.2	2.5	-17.6	-7.8	-1.8	n/a	1,183	768
Consumer Staples TR	1630	0.0	0.8	-3.3	-1.1	0.7	n/a	1,641	1,394
Health Care TR	313	1.6	9.3	-16.8	-15.6	-13.9	n/a	378	267
Financials TR	1788	0.2	24.8	-15.6	-1.9	5.3	n/a	2,102	1,054
Information Technology TR	287	-8.4	57.9	-41.7	18.6	0.7	n/a	477	167
Telecom Services TR	857	-3.4	-9.6	-26.6	0.6	6.4	n/a	1,200	808
Utilities TR	2094	-0.2	-1.3	-23.3	1.6	8.5	n/a	2,691	1,861
S&P/TSX 60 TR Index	1311	-3.5	16.9	-27.0	2.7	8.2	n/a	1,787	953
MSCI Canadian Small Cap PR Index	214	-3.1	23.2	-35.2	-7.7	-1.7	5.3	n/a	n/a

WORLD EQUITY INDEXES ($CDN)	Close	Return (%) Week	YTD	Annualized Return (%) 1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
CAC 40 PR Index	3221	-2.3	-6.7	-29.3	-8.6	-3.8	-3.0	4,617	2,465
DAX 30 PR Index	4839	-3.7	-7.4	-27.5	-0.1	3.0	-0.7	6,766	3,589
DJIA PR Index	8540	-1.7	-9.4	-20.8	-7.6	-7.4	-4.8	12,062	6,470
DJIA TR Index	14799	-1.7	-7.8	-18.1	-5.1	-5.0	-2.7	19,844	11,239
FTSE 100 PR Index	4346	-1.0	3.2	-28.9	-11.2	-6.4	-6.1	5,732	3,461
FTSE 100 TR Index	2705	-1.0	5.9	-25.6	-7.7	-2.9	-3.0	3,378	2,147
FTSE/Xinhua A200	8538	7.6	55.1	24.2	37.7	20.8	n/a	8,645	4,484
Hang Seng PR Index	17921	-3.9	16.0	-11.4	4.8	4.8	0.4	23,412	10,676
Hang Seng TR Index	36028	-3.6	18.5	-8.0	8.3	n/a	n/a	n/a	n/a
MSCI EAFE TR Index	3946	-1.8	0.4	-24.4	-5.6	-0.9	-1.2	n/a	n/a
MSCI Emerging Markets TR	1297	-3.7	24.3	-23.2	5.3	11.4	6.2	n/a	n/a
MSCI Europe TR Index	4839	-2.0	0.4	-27.3	-5.7	-0.9	-1.0	n/a	n/a
MSCI Far East Free (ex-Japan) TR	609	-3.4	20.8	-15.1	4.7	8.1	3.2	n/a	n/a
MSCI World TR Index	3118	-1.7	-0.9	-23.2	-5.9	-2.9	-2.5	n/a	n/a
MSCI World AC TR Index	390	-1.9	1.5	-23.2	-5.0	-2.0	-2.3	n/a	n/a
NASDAQ Composite PR	1827	-0.4	8.0	-17.0	-4.4	-5.2	-5.8	2,473	1,266
Nikkei 225 PR	9786	-0.1	-3.5	-13.0	-7.3	-4.2	-5.9	14,190	6,995
Russell 2000 TR	2245	-1.4	-3.6	-20.9	-7.4	-4.4	0.2	n/a	n/a
Russell 2000 Growth TR	1896	-1.0	4.2	-20.2	-5.3	-4.1	-3.0	n/a	n/a
Russell 2000 Value TR	3602	-1.8	-10.6	-21.7	-9.6	-4.9	2.7	n/a	n/a
S&P 500 PR Index	921	-1.4	-5.0	-23.3	-9.1	-7.6	-6.1	1,341	667
S&P 500 TR Index	1317	-1.3	-5.1	-21.1	-7.1	-5.7	n/a	n/a	n/a
Shanghai Comp PR	2880	6.3	47.1	17.9	29.0	15.2	6.1	2,952	1,665

Intrest Rates	Current	Next Meeting
Bank of Canada Overnight Lending Rate	0.25%	21/07/2009
Bank of England Repo Rate	0.50%	09/07/2009
European Central Bank Min bid rate at refi tender	1.00%	02/07/2009
Federal Funds Target Rate	0.25%	24/06/2009

Source: Bloomberg

For the week ending

June 19, 2009

AGF Week in Review

Commodities ($US)	Close	Total Ret (%) Week	YTD	Historical Prices 1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
Copper	225	-5.2	61.0	378	325	120	65	408	125
Corn	399	-6.2	-1.9	728	230	275	221	765	290
Crude Oil	70	-3.5	55.9	132	69	39	18	147	32
Gold	934	-0.6	6.2	898	565	395	260	1,006	682
Natural Gas	4.03	4.5	-28.3	12.86	6.89	6.52	2.31	13.69	3.16
Nickel	15,132	-3.0	30.1	22,110	15,900	14,760	5,322	22,193	9,000
Platinum	1,210	-3.6	29.4	2,048	1,140	808	352	2,089	744
Soybeans	1,179	-5.3	21.3	1,546	585	872	475	1,663	776
Silver	14.23	-4.1	24.9	17.35	9.94	5.98	4.99	19.48	8.46
Wheat	555	-5.0	-9.1	881	359	353	255	953	455
Zinc	1,555	-6.4	30.9	1,916	2,517	1,017	1,028	2,024	1,045

Bond Yields		Coupon	Maturity Date	Current Price	Current Yield
Canada	2 Year Treasuries	1.250	01/06/2011	99.93	1.29
	10 Year Treasuries	3.750	01/06/2019	101.96	3.51
	30 Year Treasuries	5.000	01/06/2037	117.33	3.97
ECB	2 Year Treasuries	1.500	10/06/2011	100.09	1.45
	10 Year Treasuries	3.500	04/07/2019	100.00	3.50
	30 Year Treasuries	4.750	04/07/2040	107.19	4.33
Japan	2 Year Treasuries	0.400	15/06/2011	100.09	0.35
	10 Year Treasuries	1.500	20/06/2019	100.51	1.44
	30 Year Treasuries	2.300	20/03/2039	101.16	2.24
US	2 Year Treasuries	0.875	31/05/2011	99.38	1.21
	10 Year Treasuries	3.125	15/05/2019	94.61	3.78
	30 Year Treasuries	4.250	15/05/2039	95.83	4.51

Currencies	Close	Total Ret (%) Week	YTD	Historical Prices 1 YR	3YR	5 YR	10 YR	52 wk high	52 wk low
CAD / EURO	0.63	-0.88	8.29	0.64	0.71	0.60	0.66	0.68	0.57
CAD / USD	0.88	-1.36	7.44	0.98	0.89	0.73	0.68	1.00	0.77
CAD / UK POUND	0.53	-1.73	-4.37	0.50	0.48	0.40	0.43	0.60	0.48
USD / AUSTRALIAN $	1.24	0.80	-12.47	1.05	1.36	1.45	1.53	1.66	1.02
USD / BRAZIL REAL	1.98	2.55	-14.66	1.60	2.26	3.14	1.76	2.62	1.55
USD / EURO	0.72	0.56	0.76	0.65	0.80	0.82	0.96	0.81	0.62
USD / MEXICAN PESO	13.36	-0.32	-2.58	10.31	11.48	11.34	9.38	15.59	9.86
USD / UK POUND	0.61	-0.31	-11.03	0.51	0.54	0.54	0.63	0.74	0.50
USD / YEN	96.27	-2.19	6.09	108.00	115.54	108.86	120.47	110.66	87.13

Source: Bloomberg