RBC Dominion Securities Morning Market Commentaries

PORTFOLIO ADVISORY GROUP

Friday, November 06, 2009

MORNING COMMENTS

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CANADIAN EQUITIES

What Moved the Market Yesterday

The S&P/TSX Composite Index gained 109.50 points yesterday, or 1.0%, to close at 11,180.70. All ten sectors finished in positive territory led by the Energy, Financials and Materials sectors. The price of oil lost $0.78/bbl to close at $79.62 (-1.0%). The price of natural gas gained $0.06 to close at $4.782 (+1.2%). The gold spot price lost $1.90 to close at $1,090.30 (-0.2%), while the Canadian dollar closed at $1.0651/USD after losing 0.2%.

The Energy sector was the biggest contributor to the advance with shares of **EnCana (ECA)** and **Talisman (TLM)** gaining 1.8% and 2.5% respectively. In the Financials sector, shares of **Royal Bank (RY)**, **Toronto-Dominion (TD)** and **Bank of Nova Scotia (BNS)** gained 2.5%, 2.9% and 1.4% respectively. In the Materials sector, shares of **Teck Resources (TCK.B)**, **Barrick (ABX)** and **Potash (POT)** gained 4.8%, 1.3% and 1.6% respectively. Notable decliners include **Manulife (MFC)** and **Sun Life (SLF)** which lost 3.5% and 6.5% respectively.

News

Canadian Unemployment fell by 43,200 versus expectations of a 10,000 job gain. Unemployment rate rose to 8.6% versus 8.5% consensus. Full-time jobs increased 16,500 while part-time jobs fell 59,700.

Suncor (CN) reported adjusted-EPS of $0.17 versus $0.28 consensus. Sales of $5.4 billion versus $7.2 billion mean consensus. Net income increased to $873 million from $766 million last year, reflecting the acquisition of Petro-Canada.

RBC CM Research Highlights

Industrial Alliance Insurance (IAG) – $30.25 – Downgrading IAG to Sector Perform from Outperform
Sector Perform (prev. Outperform), Average Risk, Price Target: $37.00 (prev. $35.00)
RBC CM is lowering its investment rating on Industrial Alliance to Sector Perform from Outperform. RBC CM believes that Industrial Alliance's impressive quarter relative to lifeco peers as well as relative advantages against peers (credit, actuarial reserve risk) is either more than reflected in its share price and/or risks have declined for peers. RBC CM stresses that its downgrade is relative and in large part reflects weak recent share price performance at Manulife and Sun Life against better share price performance at Industrial Alliance. On an absolute basis, RBC CM likes Industrial Alliance's stock more than it did pre-quarter, as reflected by its 12-month target price being up $2 to $37 per share given its increased forward profitability estimates. Industrial Alliance trades at a premium P/E and book value multiple to Manulife and Sun Life whereas it has historically traded at a discount to Manulife and a similar valuation to Sun Life. Industrial Alliance has been less affected by the

turmoil of the last two years, but a lot of that is reflected in the share price, in RBC CM' view. Industrial Alliance's share price has been a strong outperformer relative to lifeco peers since early August.

Manulife Financial Corp. (MFC) – $19.86 – Upgrading MFC to Outperform from Sector Perform
Outperform (prev. Sector Perform), Above Average Risk, Price Target: $26.00 (prev. $27.00)
RBC CM is upgrading its rating on Manulife's stock from Sector Perform to Outperform. While RBC CM believes Manulife will not likely earn the same kind of ROEs as it has in the past and that the volatility of its earnings should be greater than in the past, it believes that the stock's valuation more than reflects that reality and that the worst is behind in terms of earnings surprises, based on current equity market levels and interest rates. Manulife trades at 9.9x RBC CM' estimate of 2010 EPS, compared to a range of 10.1-11.1x for its three lifeco peers, and a multiple of 9.8x normalized EPS, compared to 9.2x-10.8x for its three peers. Those are attractive valuation levels compared to history as the company used to trade at a premium P/E valuation. Earnings and capital sensitivity to movements in equity markets have declined relative to earlier in the year as equity markets have rebounded and more hedges have been put in place on segregated funds (although most of the guarantees remain unhedged). Reserves related to low interest rates have been strengthened materially. Manulife is still relatively well-positioned to pursue acquisitions which, based on prior acquisition successes, could prove to be attractive to Manulife's shareholders. The 31% potential return to RBC CM' 12-month price of $26, which is 12.5 times its estimate of normalized earnings, is second highest of the lifecos it covers.

Veritas: Manulife (MFC) - $19.86 – Q3/09 Summary
Veritas Rating: SELL
It was a messy, complicated quarter from a messy, complicated company – one that is finding itself increasingly on the defensive after an impressive, multi-year run. A key question on investors' minds is "how much longer?" Now that the lifecos are through their annual review of assumptions, now that equity markets have come back significantly from March lows, now that interest rates can't go lower (can they?), are better times ahead? Veritas maintains its view that the boom-year ROEs likely benefited from exogenous and endogenous factors that we won't see again, even when the recession ends. Thus, Veritas leans towards the lower ROE outcomes, the lower BV/share growth outcomes, and the lower P:BV/share outcomes. Veritas thinks the stock is likely to bounce between $20 and $24 for the time being and would be buyers below $18/share.

Great-West Lifeco Inc. (GWO) – $23.78 – Q3/09 EPS Below Expectations
Sector Perform, Average Risk, Price Target: $31.00
Q3/09 core EPS of $0.47 was in line with consensus estimates. The after-tax impact of credit of $86 million ($0.09 per share) was higher than anticipated by $0.02 and was almost entirely made up of credit rating downgrades. The company was also impacted by a negative $15 million ($0.02) mark-to-market of series D and E preferred shares. Expected profit on in-force business - the highest quality source of earnings, in RBC CM's view - was down 19% YoY, a greater rate of decline than had been anticipated (13%). The MCCSR ratio was 200% vs. RBC CM's expectations of 200-205% and 205% in Q2/09. Sales were up substantially in Canada (39% - due to Group Retirement Services) and in the U.S. (32%), but down substantially in Europe (41%) and at Putnam (36%).

Cameco Inc. (CCO) – $31.11 – Cigar Lake Time Line for CNSC Suggests Q4/2012 Production Start at Best
Outperform, Above Average Risk, Price Target: $35.00
Cameco will appear before the Canadian Nuclear Safety Commission (CNSC) on Friday, November 6, to extend its construction license for Cigar Lake. Cameco Corporation is seeking an amendment to its construction license for the Cigar Lake project: The amendment is to allow for completion of mine remediation and construction activities (Phases 1 - 5 of the Cigar Lake remediation plan), completion of Shaft No. 2, and continued surface construction. The existing license expires December 31, 2009. Remediation activities at Cigar Lake cannot be accurately scheduled until the condition of the underground workings has been assessed following dewatering. Therefore, Cameco is requesting a four-year license term to allow for sufficient time to complete the proposed activities with allowance for uncertainty related to the condition of the mine. Dewatering is expected to be completed within several weeks: Following dewatering, the underground will be re-entered to secure and assess the mine. Once secure, work to restore underground mine services and facilities will begin. According to the proposed time line, the earliest production start date is now in Q4/2012, with possible delays until Q4/2013. This is slightly behind RBC CM's current forecast of startup in early 2012 with 1.5 million lbs of U_3O_8 production in 2012 and 4.5 million lbs of U_3O_8 production in 2013. However, RBC CM believes many market participants assume a much later startup, and therefore RBC CM believes the near-term share impact will be neutral.

Canadian Natural Resources (CNQ) – $67.71 Q3 – Thesis Intact – We're Buying CNQ
Outperform, Average Risk, Price Target: $94.00
CNQ was punished amid 3Q CFPS of $2.78 which fell shy of consensus due to lower Horizon oil sands production. With its Horizon (100% wi) oil sands mining project ramping-up to full design rates of 110,000 bbl/d of synthetic crude oil, CNQ has added a powerful engine to its portfolio that is not subject to conventional declines and could double in size over the next five years. RBC CM pegs CNQ's production growth at 7% next year which should support free cash flow of $5.79 per share. Debt reduction remains a principal objective this year, but we believe the wall of free cash flow that CNQ should generate into 2010-11 opens the door to acquisitions, share buybacks and dividend growth. CNQ is trading at a 2010E debt-adjusted cash flow multiple of 5.9x (vs. 6.3x for our North American E&P peer group) and a P/NAV ratio of 0.9x - in line with the average for our Canadian Independent peer group.

Goldcorp Inc. (G) – $40.44 - Q3/09 Results – Solid Beat … All Aboard The Cochenour Express!
Outperform, Average Risk, Price Target: $50.00
Goldcorp reported Q3/09 adj. EPS of $0.19 vs consensus of $0.16. Goldcorp's Q3/09 production of 598Koz of gold (from fully operating mines) was higher than RBC CM's 560Koz estimate. Weighted average cash costs on a re-stated co-product accounting basis were $367/oz in Q3, 5% better than our $385/oz estimate. The company increased 2009 guidance to 2.4MMoz (previously 2.3MMoz) at co-product cash costs less than $400/oz (previously guided to $400/oz). 2010 operating guidance is expected in January. The successful ramp-up of the new Peñasquito mine in Mexico is the main catalyst for Goldcorp shares. The company re-affirmed that the new mine remains on track for operational start-up in January, but warned that there is a chance that completion of the second processing line could be required (from an accounting perspective), which could delay official start-up until mid-2010. At Red Lake, management announced plans for a +5km high-speed, underground tram system to link the Bruce Channel/Cochenour deposits with the Campbell Red Lake mine. This tram would serve as the main ore haulage from the western deposits (potential future underground mines at Bruce Channel and Cochenour) to the processing plants in the east (at the existing Campbell/Red Lake mine), as well as provide an important exploration platform in the search for additional gold reserves in the main Red Lake camp. Drill results from the High Grade Zone at the Red Lake mine are expected later this month, as well as from Goldcorp's 2009 exploration activity elsewhere. Other potential newsflow in coming quarters includes studies on the underground potential at Peñasquito, plans for a new shaft at Musselwhite, and pre-feasibility study results for the Eleonore property in Quebec.

CGI Group Inc. (GIB.A) – $12.80 – Well Positioned for Economic Recovery
Outperform, Above Average Risk, Price Target: $15.00 (prev. $14.00)
RBC CM expect Q4 Rev/EPS In Line. Q4 revs expected at $0.95B (2% Y/Y), $0.93B CC (0% CC), in line with $0.96B Street on resilient CDN demand, backlog conversion. Proforma EPS expected at $0.25, in line with Street ($0.24) on stable 11.4% EBIT margins. FX rev tailwind est. $16-18M (2% Y/Y); no impact to EPS. Checks suggest CGI clients are re-engaging in discretionary spending. CGI appears well positioned for this, in RBC CM' view, due to its: 1) manageable scope, quick payback solutions; 2) strong positioning in resilient verticals (government, financials, etc.); and 3) healthy backlog ($12B). RBC CM is reiterating its Outperform rating on: 1) resilient revenue (CYQ3: CGI 0% CC; peers -3%); 2) healthy cashflow (10% FCF yield), above-peer margins (CGI 12%;peers 9%) and EPS growth (13% Y/Y; peers 3%); and 3) attractive risk/reward profile. RBC CM is raising its target to $15 (from $14) on peer multiple revaluation and improving sentiment.

Fortis Inc. (FTS) – $25.81 – Q3/09 Results In Line; Rolling Target Forward to $28.00
Sector Perform, Average Risk, Price Target: $28.00 (prev. $27.00)
Q3/09 Results In Line With Expectations. Fortis' Q3/09 normalized EPS was $0.21 compared to RBC CM' estimate of $0.20 and $0.24 in Q3/08. All of the segments reported earnings that were generally in line with expectations. Capital expenditures for 2009 are expected to exceed $1 billion, which is approximately $50 million higher than the guidance in Q2/09. The higher spending is primarily at Fortis Alberta as a result of higher customer-driven growth. RBC CM believes that the market has priced in a roughly 100 basis point increase in allowed ROEs, which would translate into about $2/share at a 15x P/E multiple. RBC CM is rolling forward its target to $28.00 (from $27.00).

Dorel Industries Inc. (DII.B) – $32.80 – Q3 Well Above Expectations; Raising Estimates, Target to C$40
Outperform, Above Average Risk, Price Target: $40.00 (prev. $36.00)
Dorel reported Q3 results well above expectations. Consolidated EBITDA of $50.8 million (up +7.6%) was ahead of RBC CM' $40.3 million forecast. EPS of $0.91 (up +11.1%) was well ahead of RBC CM' $0.63 forecast. Stronger margins in Home Furnishing drove most of the upside, along with better sales and margins in Juvenile and lower taxes. Excluding the mark-to-market impact of currency hedges this year and last year, Q3 EPS would have been $0.97 versus $0.74 last year. RBC CM believes Dorel is worthy of consideration given: 1) its solid free cash flow generation potential (well above $3.00 per share across RBC CM' forecast horizon); 2) the impact of meaningful product launches and lower commodity prices that could yield

upside versus RBC CM' forecasts; and 3) its attractive valuation relative to peers and itself based on relatively conservative forecast scenarios. The primary risks to RBC CM' recommendation include adverse currency movements and weaker-than-expected performance out of the more discretionary segments (Recreation/Leisure, Home Furnishings). RBC CM raising its target to C$40 following a strong Q3.

Gabriel Resources Ltd. (GBU) – $2.30 – Increasing Target on Higher Gold Price Forecast; Permitting Still Stalled
Sector Perform, Speculative Risk, Price Target: $2.60 (prev. $2.30)
RBC CM is updating its model with its new gold price forecasts and its revised timeline for the Rosia Montana project. Gabriel reported Q3/09 EPS of negative $0.02 and CFPS before changes in working capital of negative $0.02. Gabriel ended the quarter with $118 million in cash and short term investments, $96 million in working capital and no debt. In early October '09, Romania's coalition government consisting of the Democratic-Liberal (PDL) and the Social Democrat (PSD) parties collapsed. An interim government was then established, which also fell after a parliamentary no-confidence motion was passed. Gabriel believes it is unlikely that a new government will achieve the confidence of parliament until December 6/09, when the presidential election is held. RBC CM has increased its target to $2.60/sh, and maintains its Sector Perform rating.

Magna International Inc. (MG.A) – $44.20 – Cost Control + Higher Volumes = Positive Outlook
Outperform, Above Average Risk, Price Target: $56.00 (prev. $57.00)
Magna reported much better than expected Q3/09 results. North American industry light vehicle production volumes declined 20% to 2.3MM units, and in Europe by 9% to 2.9MM units. North American operating profits showed a dramatic swing from a loss of $41MM to profit of $91MM (ex one-time items). There were no unusual items in Q3/09. European EBIT fell to a loss of $54MM vs. profit of $52MM. Magna has been capitalizing some of the costs connected with Magna Steyr's launch of new vehicles. Outlook for North American operations positive for following reasons: 1) Surprisingly strong North American October auto sales (seasonally adjusted annual rate 10.8MM) following the end of the "cash for clunkers" program; 2) The stabilization of GM and Chrysler and market share gains by Ford; 3) The benefits of permanent cost reduction measures. In Europe the situation is different as RBC CM expects a flattening of sales and substantial launch costs connected with new vehicles to be produced by Magna Steyr. Magna's Co-CEO Don Walker said that while there had been some customer resistance to Magna buying a stake in Opel, there had been no noticeable impact on orders. RBC CM has cut its target to $56 (from $57).

Manitoba Telecom Services (MBT) – $31.45 – Q3/09: MTS Passes on Globalive Bailout
Sector Perform, Average Risk, Price Target: $33.00 (prev. $35.00)
MTS reported Q3/09 results Thursday morning and hosted an investor call. Overall Results Roughly In Line: Consumer Division Solid While Enterprise Division Drifts Lower. Q3 financials were in line this quarter: EBITDA of $157MM (-5.0% yr/yr) vs. $159MM expected. Consumer was well ahead of expectations: EBITDA of $108MM (+3% yr/yr) vs. $102MM expected. Margins reached an impressive 51.7%. Enterprise EBITDA on the other hand, was down -19% yr/yr to $49MM (vs. $57MM expected). But, following MTS' guidance cut last month, the weaker Allstream results come as little surprise. MTS is satisfied with its wireless arrangement recently signed with Rogers, and views the termination fee ($50M in year 1) as potentially prohibitive to a new arrangement with Globalive – barring exceptional economics from the arrangement. Income investors that were worried about higher leverage and a dividend cut resulting from a wireless bailout, should breath easier now. RBC CM views Videotron as another solid fit for Globalive: it has $96M of stranded Toronto-area spectrum that could be used as in-kind equity, Globalive is not a competitive threat in Videotron's home market, and the roaming arrangement already brokered with Rogers does not have a prohibitive break fee attached. RBC CM Target Trimmed From $35 To $33. Remains Sector Perform.

Quebecor Inc. (QBR.B) – $26.45 – Q3/09 Results: A Videotron-Globalive Combo Makes Sense
Outperform, Average Risk, Price Target: $32.00 (prev. $30.00)
QBR reported Q3/09 results Thursday morning. Consolidated revenues and EBITDA of $918MM and $301MM, respectively, exceeded our forecast of $907MM and $276MM. The positive variance was mainly due to the telecommunications segment (i.e., Videotron). The news media segment also contributed to the better than expected results with EBITDA of $45MM versus our $40MM estimate. RBC CM' target price increases from $30 to $32 and it maintains its Outperform, Average Risk rating on the stock. Following Globalive's wireless application denial from the CRTC last week, RBC CM believes that Videotron is in a strong position to bail the company out of its foreign ownership woes – and an agreement could be very appealing to Videotron, in our view. Consider: (1) Videotron could contribute its stranded Toronto spectrum at its full $96MM face value (far better than taking a big haircut reselling it), which leaves only a modest $50MM+ cash contribution required, by our estimate; (2) the territories are complementary: Videotron in Quebec and Globalive cross-country (ex. Quebec); (3) including Videotron would ease CRTC concerns about technical reliance on Orascom; and (4) there could be some cost savings for Videotron (e.g. lower roaming rates). QBR refused to comment on Globalive Thursday.

Stantec Inc. (STN) – $26.70 – Outlook Soft into H1 F10: Taking Target Price to $33 Down from $34
Outperform, Average Risk, Price Target: $33.00 (prev. $34.00)
RBC CM is looking for flat revenue growth until H2 F10: STN is facing a tough environment with 4 of 5 divisions seeing organic sales declines in Q3. Management looks for improving top line organically in Q2 F10 with 2-3% organic growth in 2010 weighed to the back half of the year, including stimulus spend. Strong Margins Likely to Stay: STN did see solid gross margin gain of 50 bps YoY in Q3- RBC CM expects the firms' quick headcount reduction (850 YTD) has allowed co to match revenue levels and strong margins should repeat through 2010. RBC CM sees EBITDA margin as steady in 2010, 2011 at around 14%. RBC CM likes that STN has been able to maintain and grow its gross margin by quick reaction to sales declines. RBC CM expects some organic growth to be complemented by acquisitions in 2010. RBC CM rates STN Outperform, Average Risk with a new 1 yr target of $33 (down from $34 previously).

Thomson Reuters (TRI) - $32.15 – Next Leg Up for the Stock in Sight
Outperform, Average Risk, Price Target: $41.00
Thomson Reuters reported Q3/09 results that were largely in line with expectations. Although RBC CM believes 2010 consensus estimates are too high and expect street estimates to come down over the next quarter, the larger delta point that investors should be focused on heading into 2010 is the timing and strength of the turn in net sales activity in Markets, which could occur as early as Q1/10. This inflection point should represent the start of the next upward leg in the cycle. After almost three years of valuation headwind following the Reuters transaction and subsequent recession, RBC CM sees this inflection point as the beginning of a meaningful multiple expansion phase for the stock, which not only should trump any downward consensus estimate revisions for 2010E, but should be the major source of returns for investors over the next 2-3 years.

Gluskin Sheff + Associates (GS) - $20.00 – Strong Performance Could Results in Significant December Fees
Outperform, Above Average Risk, Price Target: $30.00
Q1/10 results were in line with RBC CM's forecast and consensus. The next focal point for investors is December performance fees, which RBC CM believes might have been around $30 million on an accrued basis at the end of September, although it is difficult to accurately compute given imperfect information on AUM, sales data and penalty carryovers. Year-to-date (September 30), the hedge funds are up 9% to 20% and the credit hedge funds are up 18% to 38% (both types of hedge funds have 0% hurdle rates, after fees). RBC CM believes GS is benefiting from increasing net sales in its Ontario and Québec core markets, yet is in the early stages of its strategy to grow its client base in the U.S. and now Western Canada, which offers significant potential, yet we believe is not being reflected in the current share price.

Biovail (BVF) - $13.25 – Q3 Mixed on Generic Sales Delay to Q4
Outperform, Above Average Risk, Price Target: $16.00
Biovail reported revenues of $212.5MM, slightly below RBC CM's $214.3MM estimate (consensus $217.2MM). While Wellbutrin XL revenue of $58.6MM was ahead of RBC CM's $53.8MM forecast and Xenazine was in line, a delay in generic shipments by Teva due to a customs issue lowered revenues by $4.4MM. This should be made up in Q4. In addition, Ultram ER and Zovirax were slightly below expectations. Total expenses of $154.2MM included $2.4MM of acquisition and restructuring costs. Excluding this item, expenses would have been $151.7MM vs. RBC CM's $150.2MM estimate. BVF posted slightly weaker than expected revenue and EPS largely due to the $4.4MM generic shipment delay and lower Zovirax sales. However, had the generic sales been included in Q3 results, both top line and cash EPS would have exceeded expectations. RBC CM believes investors with mid- to long-term investment horizons will be rewarded if investing at these levels.

Crescent Point Energy (CPG): $36.95 - Strong and In-Line Q3/09
Sector Perform, Average Risk, Price Target: $40.00
Third quarter basic CFPS was $0.97, in line with RBC CM estimate. Q3 production of 46.4 mboe/d was just shy of RBC CM expected 46.7 mboe/d. On the back of strong production results year-to-date, Crescent Point increased its FY2009 production guidance to 44.5 mboe/d, which corresponds with RBC CM prior forecast of 44.8 mboe/d. Subsequent to Q3, Crescent Point finalized an agreement to acquire supplementary Bakken assets an additional land in the Bakken and Lower Shaunavon for cash costs of $107 million. RBC CM expects additional acquisitions in Crescent Point's core areas as management looks to deploy funds from the recent $575 million equity issue.

ARC Energy Trust (AET.UN): $20.40- Q3/09 Results; Growth Plans on Track with 2010 Capex Budget
Outperform, Average Risk, Price Target: $22.00
Q3/09 results were strong, with production of 62.8 mboe/d (versus consensus of 62.4 and RBC CM estimate of 64.0) and cash flow per unit was $0.52 (consensus was $0.48 and RBC CM estimate was $0.44). Drilling results at Dawson continue to be excellent with eight wells testing during the quarter at rates between 7 and

11 mmcf/d at a flowing pressure of 1,600-2,000 psi.ARC set its 2010 capital spending budget at $575 million, with a focus on the NE BC Montney and tight oil drilling. The budget is a 58% increase from 2009 and, under RBC CM price deck, results in a modest (and very manageable) increase to debt levels. Highlights from the budget are:

- $270 million will be dedicated to NE BC to drive production growth in the Montney and prepare for additional growth in 2011/2012. Management expect the Phase II 60 mmcf/d Dawson plant to be onstream in early 2011 and to have contribution of 60 mmcf/d from the operated portion of Sunrise in 2012.
- $104 million will be spent on the drilling of 66 horizontal oil wells. On the back of early success in the Pembina Cardium, plans are to drill 17 horizontals there in 2010. Tight oil wells are also planned for Ante Creek, Goodlands and Garrington, in addition to an active Mississippian program in Southeast Saskatchewan.
- Production is expected to average 68-70,000 boe/d in 2010, with an exit rate over 73,000 boe/d. There has been a minor delay in obtaining regulatory approval for the Phase I Dawson gas plant, and start-up is now expected in early Q2/2010.

Bonavista (BNP.UN): $21.31 - Q3/09 Results; Hoadley Trend Continues to Produce Strong Results
Outperform, Average Risk, Price Target: $22.00
Q3/09 production averaged 56.1 mboe/d, consistent with RBC CM estimate, and cash flow was $0.77/unit, slightly ahead of RBC CM $0.74/unit estimate. For 2010, management expects capex of $300-$330 million; the program includes 120-130 wells, of which 60-70% will be horizontal. Three key takeaways from BNP's Q3: (i) results in the Hoadley Glauconitic play appear to be improving; (ii) management highlighted a significant increase to its horizontal drilling inventory in Central Alberta, which contains both Glauconitic gas and Cardium oil wells; and (iii) Q3/09 results and 2010 guidance were in line with expectations.

Penn West (PWT.UN): $18.78- Q3/09 In Line; In Transition as Tight Oil Spending Ramps Up
Sector Perform, Average Risk, Price Target: $20.00
The highlights from PWT's Q3 were: (i) another quarter of good operating results; (ii) the 2010 budget, which is up 25% from 2009; and (iii) indications of a $250 million property sale in the conventional heavy oil district. Management gave capex guidance of $800-$900 million for 2010, which is up ~25% from 2009. The focus of the program will be horizontal tight oil drilling, delineation/development drilling and a thermal pilot at Seal, and select natural gas drilling. Production is expected to be 170-180 mboe/d. RBC CM considers 2010 to be Penn West's transition year to a growth-income model, as success through the drill bit is likely to lead to a higher re-investment ratio in 2011. RBC CM likes the initiatives to improve the balance sheet and the pursuit of a more focused capex program as it thinks the economics of Penn West's "big four" tight oil plays (Leitchville, Waskada, Dodsland and Pembina) are strong.

Inter Pipeline Fund (IPL.UN): $10.51 - Q3/09 Results Largely In Line; Will Stay as Partnership in 2011
Sector Perform, Average Risk, Price Target: $9.00
Q3/09 ACFFO/Unit was $0.31 compared to RBC CM estimate of $0.29 and $0.37 in Q3/08. Following a formal process that was undertaken to examine the best structure post-2011, it was determined that Inter Pipeline will remain as a limited partnership. It is expected that the Partnership will maintain the current $0.90/unit distribution.

AltaGas (ALA.UN): $18.25- Financial Forecast Updated to Reflect Lower Forecast Corporate Charges
Outperform, Average Risk, Price Target: $20.25
Normalized ACFFO/Unit was $0.62 in Q3/09 compared to RBC CM estimate of $0.55 and $0.79 in Q3/08. The difference between actual and expected results was largely due to lower-than-forecast corporate charges and maintenance capital expenditures. RBC CM increased its 2009 ACFFO/Unit estimate from $2.32 to $2.51 to reflect lower corporate charges than previously forecast. Including recent acquisitions, AltaGas expects 2009 capital expenditures of approximately $500 million.

Morguard REIT (MRT.UN): $12.00 - Q3/09 Results; Lots Of Liquidity - A Good Source Of Reliable Yield
Outperform, Average Risk, Price Target: $12.75 (prev. $12.50)
Q3/09 FFO/unit (diluted) of $0.22, was -30% from Q3/08's $0.31 and a massive -$0.09 shortfall to RBC CM estimate of $0.31. Digging to the bottom reveals that the headline "miss" is in large part just "noise", while underlying operations appear close to expectations. We note the following items: i) Issue Costs: $4.1MM (~$0.07/unit); ii) Reclassification: ~$0.6MM (~$0.01/unit); and, iii) timing/dilution: (<$0.01/unit). Overall occupancy was flat at 95%. Corporate liquidity increased $102MM sequentially to $141MM ($69MM in cash + $72MM of undrawn credit), primarily reflecting the $103.5MM convertible debenture offering completed in late-Sept. Debt maturities through 2010-2012 are modest and never exceed $20MM annually. Substantial liquidity will prove dilutive to near-term results.

The Brick (BRK.UN): $1.58 - Raising Target And Rating On Improving Financial Liquidity And Outlook
Outperform (prev: Sector Perform), Above Average Risk, Price Target: $2.00 (prev. $1.00)
RBC CM is upgrading BRK to Outperform, Above Average Risk, with a $2.00 target. RBC CM uses a 5.0x EV/EBITDA multiple (still at a discount to peers, but up from 3.5x previously) and assumes full exercise of all outstanding warrants to arrive at our $2 target. RBC CM believes the valuation discount remains warranted given BRK's less consistent operating history. The change in view is a result of the improved liquidity profile, the resilience of the warranty business, the change in management, and RBC CM's assessment that the unit price upside outweighs the downside risk at current levels. RBC CM's call is predicated on BRK reclaiming some of its lost competitive ground: if this does not happen, units should remain range bound at current levels.

Veritas Research Highlights

Sun Life Financial (SLF) - $30.11 – Sun Life Reports its 3rd Quarter
Veritas Rating: SELL, Intrinsic Value Estimate: $27.50
Veritas continues to believe that Sun Life – at least above its book value – is not an ideal vehicle for attaining better than average returns in choppy markets. Sun Life reported a loss of $140M, or $0.25/share. Its book value per share fell by $1.25 to $27.54 and its capital ratio declined to 219%. The quarter was messy. Rising equity markets were unable to offset the effect of credit downgrades much less the pre-warned reserve adjustments. Further muddying the water were charges in the U.S. segment for policyholder behaviour and a tax recovery. Adding back all of the items specified by management gets to earnings of $0.83/share, though management noted that there were other reserve adjustments and experience items that were not broken out. Just how representative the $0.83/share is of underlying earnings will be the subject of debate going forward. Management itself is guiding between $0.62/share and $0.76/share per quarter, a range that is before credit impairments and bakes in 8% of equity market growth. The mid-point to management's guided range implies an ROE of about 10% +/- 100bps. Veritas believes this roughly approximates a reasonable cost of equity for SLF.

Penn West Energy Trust (PWT.UN) - $18.76 – Quarterly Results
Veritas Rating: SELL
Penn West generated much enthusiasm from its investor day, with an emphasis on applying horizontal drilling to its portfolio of maturing light oil fields (Leitchville, Dodsland, Waskada, etc.) and retains horizontal options on a number of natural gas plays including Wildboy in B.C. and Viking in Alberta. Penn West views its ability to test and refine techniques on multiple plays as a key advantage in allocating capital and laying out a strategy for reconverting to a more conventional E&P company. The question for investors is whether this strategy will build enough momentum for growth, or whether the company needs better focus. It looks like the jury will remain out until mid-2010 at the earliest. Penn West plans to spend $800-$900 MM in capex next year, weighted 80% to 85% to oil, and generate 170,000 to 180,000 barrels of oil equivalent per day (boepd), which is a 15% to 40% increase in capital but a flat production profile overall. The company indicates that volumes and investment decisions will ramp up in the second half following its drilling and evaluation work. Consensus cash flow per unit for 2010 is currently $3.50 per unit, which Veritas views as reasonable assuming current strip pricing. Veritas is not inclined to pay 5.0x this estimate, given that Penn West is still sketching out its longer term strategy. Veritas currently views the trust as overvalued; at US$70 oil and US$6 gas the intrinsic value is $11 per unit.

Fortis (FTS) – $25.40 – The Verdict
Veritas Rating: BUY
Fortis reported adjusted EPS of $0.21 in Q3-09, 12.7% lower than the $0.24 reported in the same period last year, and in-line with the $0.21 consensus estimate per Reuters. Q3-09 results were lower YoY due primarily to a 59% reduction in the Fortis Generation (FG) segment. The $5 million loss of earnings relative to Q3-08 was mostly attributable to the expiration of a 75 MW power-for-water exchange agreement related to the Rankine hydroelectric facility. Also contributing to the YoY decline was lower average wholesale electricity prices in Upper New York and a decline in electric energy output in Belize. Veritas is reducing its Intrinsic Value estimate of Fortis from modestly, from $28.00 to $27.50, due to increased risk of lower-than-expected rate-base growth, partially offset by a lower cost of capital. Partially offsetting the risk of tempered RAV growth is a decline in corporate borrowing costs, as evidenced by the 169bps difference between the 5.37% rate on FortisAlberta's $125 million 30yr unsecured notes issued in October and the 7.06% rate on its 30yr unsecured note issuance in February. The overall investment thesis is still positive on Fortis, and Veritas maintains its BUY recommendation.

Manitoba Telecom Services (MBT) - $32.14 – Q3 Results Summary
Veritas Rating: SELL
Veritas believes that the only positive disclosure to come out today from Manitoba Telecom Services Inc. was a reaffirmation that it will be maintaining its current annual dividend of $2.60 for the quarter. Otherwise, YoY data revenues declined 5.3%, local

revenues declined 3.3% and long distance revenues cratered 12.5%, thereby resulting in a consolidated revenue decline of 3.5%. Competitive conditions in the telecom sector are worsening. Wireless is the only meaningful growth segment that MTS currently has exposure too. Other areas such as HSD Internet, MTS TV and corporate data are approaching peak penetration and are beginning to experience pricing pressures as well. While a divestiture of the Enterprise division could add value for shareholders, in absence of any suitors, a shrinking provincial utility burdened with the task of defending its franchise will be forced to cut its dividend. Veritas believes that after the dividend cut is announced, a good entry point for the stock will present itself. Till then a safer though lower yield can be had via exposure to BCE.

Canadian Natural Resources (CNQ) - $67.07 – Quarterly Results
Veritas Rating: BUY
Q3 CFPS for Canadian Natural Resources Ltd. rose to $2.78 in the quarter from $2.52 in Q2, on better realized pricing. This was despite a drop in volumes of 2.7% versus Q2, led by equipment and ore problems at Horizon. Volumes were hampered by numerous equipment glitches and higher clay content in the mined ore. CNRL promises the operation is back on track but indicates that it will take time to adapt to the clay-rich ore supply, gradually blending in other mined sources. As a result, Horizon volumes are likely to be lower through the end of 2010 Q2 - CNRL estimates the clay issue reduced Q3 volumes by 6.6 thousand barrels per day (bpd). CNRL remains on track to meet Veritas' CFPS estimate of $10.45 for 2009. Despite its challenges, Veritas continues to view CNRL as having a strong portfolio for growth in 2010 and beyond. The intrinsic value estimate for CNRL is $80 per share at US$70 oil / US$6 gas.

Crescent Point (CPG) - $36.95 – Quarterly Results
Veritas Rating: SELL
Crescent Point converted to a corporation to begin Q3 and intends to maintain its monthly distribution at $0.23 per unit. The company has completed a flurry of acquisitions this year, including Villanova Energy, assets from Talisman, the Wild River arrangement, Gibraltar Exploration, two deals in Q3 totaling 3,750 barrels of oil equivalent per day (boepd), and an additional $773 MM in assets post-Q3 partially funded with a $575 MM unit offering. It is no wonder then that full year guidance has now increased to 44,500 boepd (88% oil weighted) from 40,500 boepd in March. Capex plans have similarly increased from $225 MM budgeted in March to $325 MM today. Crescent Point will require a number of infrastructure investments next year to maximize its opportunities on the assets it acquired in 2009. If capex and distributions remain at current levels, its funding shortfall should be minimal. Following a unit issue and two acquisitions post Q3, the company had $600 MM remaining on its $1.2B credit facility open to May 2011 but reviewed annually. Veritas believes Crescent Point must now move from its acquisition phase to an execution plan that picks up the value inherent in its asset base. Even with potential growth and US$80 oil / US$6.50 gas, Veritas estimates CPG's intrinsic value at $37.50 per share, leaving it fully valued at current prices. At US$70 oil / US$6 gas the intrinsic value falls to $32 per share. Veritas currently rates the shares at Sell.

Bonavista Energy (BNP.UN) - $21.31 – Quarterly Results
Veritas Rating: SELL
Bonavista continues to promote the benefits of its Hoadley acquisition, bought from EnCana for $698 MM. The central Albertan lands currently produce 11,400 barrels of oil equivalent per day (boepd) weighted 78% to natural gas. With acquisition and future development costs totaling approximately $2.85 per thousand cubic feet equivalent (mcfe) of 2P reserves and operating costs near $1 per mcfe, Bonavista stands to make money under even low natural gas prices. While Veritas holds Bonavista's management in high regard and like its portfolio of plays, it remains a gas weighted company and Veritas views the natural gas market as unlikely to improve much in 2010. Bonavista trades near the intrinsic value of $21.25, assuming US$80 oil and US$6.50 gas, leaving it overvalued at lower commodity price assumptions.

US & INTERNATIONAL EQUITIES

What Moved the Market

What happened last week…

Equity markets in the U.S. finished the day at session highs with the S&P 500 adding 1.9% on the day while the Nasdaq closed up 2.4%. There still appears to be a lack of conviction behind the rally as investors are hesitant to do any major buying ahead of Friday's non-farm payroll release. The rally in the markets was broad based with the Financial, Technology, Industrials, and Materials sector all adding over 2%. In the Technology Sector the main highlight was shares of **Cisco (CSCO)** which closed up 2.8% after the company reported fiscal Q1 earnings ahead of expectations. **Qualcomm (QCOM)** added 5.4% after the company announced a 15 year licensing deal with Samsung, the world's second largest cell phone producer. In the Financial Sector Shares of **State Street Corp (STT)** outperformed amongst its trust bank peers, surging higher by 5.3%. Shares of **JP Morgan (JPM)** added 3.9% while **Bank of America (BAC)** shares gained 2.9%. On the consumer side shares of **CVS Caremark (CVS)** sustained heavy selling dropping over 20% after the company reported it was losing key contracts in its pharmacy benefit management division. Retail stocks were weak on the day following the release of the October same store sales data which was weaker than expected. Shares of **Costco (COST)** lagged the broader sector closing up by 1% while shares of **Areopostale (ARO)** sold off 12%.

What happened overnight…

In Europe shares are slightly higher ahead of the U.S. non-farms payroll data. The FTSE 100 index is hovering around the flat line. Shares of **British Airways** are higher by 6.2% after the carrier showed improvements to traffic volumes versus September. Shares of **Allied Irish Bank (AIB)** rose 10% after the lender sold a 5 year bond not covered by a government guarantee.

In Hong Kong the Hang Seng finished higher on the day by 1.6%, while the Shanghai Composite gained 0.3% the indices strongest finish in over three months. In Japan the Nikkei added 0.7%. Shares of **Sony Corp (SNE)** and **Canon (CAJ)** climbed higher by 1.6% and 1.8% respectively. Shares of Pioneer Corp surged higher by 8.9% after the company said it would only need to raise half of the 40 billion yen it had targeted for. **NEC (NIPNF),** Japan's largest computer maker, advanced 10%.

News

Calpers was told by a consultant that it was paying uncompetitive rates on foreign-exchange trades some six years before the state of California filed a lawsuit against **State Street Corp. (STT)** over forex pricing, according to the consultant. The state of California lodged a suit against State Street on Oct. 20, claiming the bank secretly overcharged Calpers and sister fund California State Teachers' Retirement System by more than $56 million in currency trades conducted since 2001. *WSJ*

For the first time since defaulting on government bonds in 1998, Russia is seeking to make a debt offering to reduce its budget deficit. Russia's gold and foreign-currency reserves are sufficient to cover the proposed $17.8 billion issuance. *NY Times*

Wal-Mart Stores (WMT) extended its holiday price war into new territory Thursday by slashing online prices on 10 hotly anticipated DVDs, including the new Star Trek and Harry Potter releases, to $10. Within hours, **Amazon.com (AMZN)** and **Target (TGT)** matched some of Wal-Mart's online prices on pre-orders of the DVDs, and Wal-Mart lowered its price by a penny to $9.99, reprising the scuffle that broke out last month when Wal-Mart launched an aggressive $10 book promotion. *WSJ*

Microsoft (MSFT) new Windows 7 operating system has been flying off store shelves during its first week of availability, though it's too soon to tell to what extent the software will ignite sales of new personal computers. *WSJ*

Research Highlights

CVS (CVS) – $28.87 – Reducing Estimates and Target after Disappointing Quarter
Core List, JP Morgan – Overweight (PT$40 to $45), S&P – Buy (PT$33)
JP Morgan is defending shares of CVS Caremark today following unsatisfactory commentary on the company's 3Q earnings conference call yesterday regarding forward outlook. While it is purely an afterthought at this point, JP Morgan notes that the 3Q09 results were solid, with adjusted EPS of $0.65 coming in $0.02 ahead of our estimate. The stock traded down sharply in what JP Morgan views as an overreaction, given that the magnitude of the decline (down by 20.1%) was far greater than the potential impact to earnings. JP Morgan feels the sell-off was largely driven by anger and frustration, calling into question everything from the overall business model to management credibility. The stock will be a show-me story throughout 2010, as investors will want to see proof that the company is able to turn around the net new business trends by refining the sales message and fixing service issues.

Johnson & Johnson (JNJ) - $59.98 – Takeaways from restructuring announcement
Core List, JP Morgan – Neutral (PT $68)), RBC CM – Sector Perform (PT $60), S&P – Buy (PT $70)
Earlier this week, JNJ announced a restructuring plan that will provide pre-tax cost savings of $1.4-$1.7 billion, with $800-$900 million of savings expected in 2010. The bulk of the savings will come from a 6-7% reduction in its global workforce. **JP Morgan** believes management plans to reallocate resources to fund key growth initiatives. JPM had a number of questions for management, including whether the restructuring was a) in reaction to what management is seeing in its business or b) in

anticipation of a forthcoming deal? The short answer from management is no, but the outlook for the economy and its impact across JNJ is certainly a factor. JPM notes that JNJ's Consumer division, as well as portions of its Medical Device business (contact lenses, glucose meters and strips), are much more tied to unemployment than any pickup in GDP. And with unemployment still rising and the consumer lagging, JPM notes that JNJ is anticipating and preparing for a slow recovery in 2010. **RBC Capital Markets** reiterated its Sector Perform rating and $60 price target following the restructuring announcement. RBC CM's main issues relate to pipeline setbacks and a maturing drug business. RBC CM believes they will remain on the sidelines until top line growth improves for the company and 10%+ EPS growth becomes more achievable.

Abbott Labs (ABT) - $51.62 – Taking price increases on a number of products
Core List, JP Morgan – Overweight (PT $59), RBC CM – Top Pick (PT $62), S&P – Buy (PT $58)
Yesterday, ABT announced that it had raised prices this week on a broad range of products within its Pharmaceutical business. The average increase is 6% on 17 products, including Tricor, TriLipix, Niaspan, Lupron, Synthroid, & Zemplar. JP Morgan notes that collectively, these drugs account for 55-60% of the company's US Pharmaceutical sales. The only major products missing from the list are Humira, on which Abbott just took a 5% price increase in September, and its HIV compounds (Kaletra/Norvir). JP Morgan notes that historically, ABT has adjusted prices in January. By taking increases earlier this year, JPM believes the company may benefit through the final two months of the year. JPM reiterated its Overweight rating on the shares.

Starbucks (SBUX) - $19.70 – Delivers against strong results
JP Morgan – Neutral (PT $23 from $17), RBC CM – Sector Perform (PT $20 from $18), S&P – Sell (PT $14)
Yesterday, SBUX reported Q4 EPS of $0.24, $0.03 above consensus of $0.21, while revenue fell 3.7% year-over-year to $2.42 billion versus consensus of $2.39 billion. **JP Morgan** believes the quarter was solid, with upside driven by both US and international comps, and international margins. JPM believes notes that 2010 guidance was revised to a new range of $0.92-$0.96 from $0.83-$0.89, versus JPM's estimate of $1.00. JPM also believes that SBUX could see significant additional share repurchases (JPM estimates $900 million). JPM reiterated its Overweight rating and raised its price target to $23 from $17. **RBC Capital Markets** believes SBUX delivered against high expectations. However, RBC CM believes the good news was already priced into the stock price. While RBC CM believes sales may benefit from easy comparisons, new products such as VIA, and enhancements to its loyalty program that encourage frequency, they believe growth may be restrained by high levels of competition and discounting. As a result, RBC CM reiterated its Sector Perform rating and raised its price target to $20 from $18.

Hewlett Packard (HPQ) - $48.85 – Q4 preview
Core List, JP Morgan – Overweight (PT $55 from $51.50), RBC CM – Outperform (PT $51), S&P – Strong Buy (PT $60)
HPQ is set to report its fiscal Q4 results on November 23rd. JPM previewed the quarter and noted that inputs from channel contracts suggest HPQ' server and PC business trends exhibited steady improvements in the back half of the quarter. JPM also expects HPQ to benefit from the early stages of a channel fill in the printer supplies business in the next 6-9 months. The combination of these hardware and printer dynamics should contribute to upward pressure on consensus estimates and help boost HPQ's valuation multiple. As a result, JPM raised its price target to $55 from $51.50 and reiterated its Overweight rating.

Dell (DELL) - $14.91 – Q3 preview
JP Morgan – Underweight (PT $15.50), RBC CM – Sector Perform (PT $17), S&P – Hold (PT $18)
DELL reports fiscal Q3 results on November 19th. JPM expects DELL to meet or slightly beat consensus estimates. JPM believes DELL's gross margins should stay above the 18% barrier, which is important for investor sentiment, but they do not expect much upside potential. JPM believes the key is the proposed Perot Systems acquisition could weigh on the risk-reward profile, and they look for more details on the deal during the earnings call. JPM reiterated its Underweight rating and price target of $15.50.

Specialty Retailing – JP Morgan Comments on Same Store Sales Trends at Retailers
While October was a mixed bag, JP Morgan's concern is the sudden drop-off in sales trends that many retailers experienced during the second half of the month. While they attribute some of this to the strong pent-up demand from the early cold snap and Halloween falling on a Saturday this year, it clearly acted as a setback to many investor's "top-line inflection" thesis heading into the 4Q (as SGA opportunities are wearing thin). JP Morgan also notes that most retailers continue to operate with very lean inventory levels and have dramatically cut back on promotional activity—likely further contributing to the slowdown while benefiting overall profitability.

CenturyTel (CTL) – $34.27 – Delivers a Very Strong Quarter
Core List, JP Morgan – Neutral (PT$30), S&P – Buy (PT$38)
CenturyLink's third quarter results married relatively strong financial results with improving line loss and broadband trends.

Management issued relatively conservative guidance for 4Q and warned of some incremental EPS pressures expected in 2010. Pro forma detail was lacking, making year-over-year comparisons on many metrics challenging. CenturyTel appears to be executing well in the early stages post-merger. The company's grassroots local marketing approach is showing early dividends in the broadband battle, while synergies and integration initiatives supported healthy margins. Nevertheless, JP Morgan continues to believe that heavy lifting lies ahead as the company copes with trends in the more competitive Embarq markets.

Macy's (M) – $18.02 – Upgrading to Overweight
JP Morgan – Overweight (PT$23), S&P – Hold (PT$17)
On the heels of improving back-to-back monthly comps (Aug/Sep/Oct) on a 2-year stacked basis, coupled with potential for significant EPS upside (esp. in 4Q), JP Morgan is upgrading Macy's to Overweight from Neutral. With sales momentum clearly on its side ahead of the all-important holiday season, the Analyst is going to take advantage of the stock's 15.1% pullback since mid-October (SPX down 2.3%) and get back on the Macy's train. On the sales front, they believe the combination of benefits from the My Macy's localization initiative and an improving NYC shopping backdrop (both luxury and Herald Square) are manifesting into improved top-line results that have legs over the next year. Layer in the company's conservative guidance (which we expect to be raised on 11/11; 3Q EPS), we see FY EPS of $1.46 and $1.60, respectively, in 2010 and 2011, relative to Street consensus of only $1.04 and $1.39. On valuation, Macy's is only trading at 11.3x P/E and 4.4x EBITDA. Looking ahead, we think the stock can run to $23 by December 2010, implying 27.8% upside.

FIXED INCOME, CURRENCIES AND COMMODITIES

Market Commentary

Rates
Bond prices traded lower on Thursday as investors shifted into riskier assets like equities. Canadian bond yields rose as much as 9bps, but the 10-year was up 5bps to 3.53%. US Treasuries had a more muted response with yields unchanged in the 10-year area at 3.52% though the 5-year yield fell 4bps to 2.34%. Given that we will see the release of both Canadian and US employment data today, it was a surprise that Canadian bond markets moved as much as they did. Part of the reason for the underperformance in Canada bonds was the C$3.5 billion 10-year auction, which came at a yield of 3.70%. This yield is a significant pickup over the current 10-year benchmark.

This morning, Canadian employment surprised to the downside, losing a total of 43,200 jobs in October compared to a 10,000 gain expected. All of the losses came from the part time sector, so the number is not as bad as it seems on the headline. The unemployment rate rose to 8.6% from 8.4% in September. In contrast to the patterns of recent months, goods-producing industries were the source of the weakness (-37k), over goods producing industries (-6.3k). Within services, the job losses were concentrated in retail and wholesale trade (-30.8k) and "other services" (-19.9k). Private-paid employment (which excludes public sector and the self-employed) fell 45.2k.

Currencies
After three straight days of higher closes, the CAD ended slightly lower on Thursday at C$1.0658/USD. The USD started yesterday's trading session quite weak but was able to recover some of the losses by the end of the day as investors took profits and positioned for a potential downside surprise on non-farm payrolls. It finished 0.14% lower against Sterling at $1.6585 and 0.05% lower against the Euro at $1.4877.

Commodities
Crude oil prices decreased $0.78/barrel to $79.62/barrel, falling on speculation that a government report today will show that the US unemployment rate climbed last month, depressing demand for energy products. **Natural gas** prices increased $0.057/mmbtu to $4.782/mmbtu as industrial demand starts to pick up in light of a strengthening US economy. **Gold** prices decreased $1.90/oz to $1090.30/oz, falling marginally on the day. **Silver** decreased $0.0500/oz to $17.4050/oz. **Copper** prices decreased $74.80/tonne to $6491.10/tonne, declining as stockpiles monitored by the London Metal Exchange rose by 1.5% yesterday, the highest daily gain since May 11.

CALENDAR OF EVENTS

Economic Releases

Key Market Data for the Week (November 2- November 6)							
Date			**Time**	**Period**	**Actual**	**Survey**	**Prior**
2-Nov	US	ISM Manufacturing	10:00	OCT	55.7	53	52.6
	US	Pending Home Sales MoM	10:00	SEP	6.10%	0.40%	6.40%
	US	ISM Prices Paid	10:00	OCT	65.0	64	63.5
	US	Construction Spending MoM	10:00	SEP	0.80%	-0.30%	0.80%
	US	Pending Home Sales YoY	10:00	SEP	19.80%	- -	12.10%
3-Nov	US	Factory Orders	10:00	SEP	0.90%	1.00%	-0.80%
	US	Total Vehicle Sales	- -	OCT	10.45M	9.80M	9.20M
	US	Domestic Vehicle Sales	- -	OCT	7.94M	7.40M	6.80M
4-Nov	US	MBA Mortgage Applications	7:00	30-Oct	8.20%	- -	-12.30%
	US	ADP Employment Change	8:15	OCT	-203K	-190K	-254K
	US	ISM Non-Manf. Composite	10:00	OCT	50.6	51.6	50.90
	US	FOMC Rate Decision	14:15	4-Nov	0.25%	0.25%	0.25%
5-Nov	CA	Building Permits MoM	8:30	SEP	1.60%	- -	7.20%
	CA	Ivey Purchasing Manager Index	10:00	OCT	61.2	58.0	61.7
	US	Nonfarm Productivity	8:30	3Q P	9.50%	0.06	6.60%
	US	Unit Labor Costs	8:30	3Q P	-5.20%	-3.80%	-5.90%
	US	Initial Jobless Claims	8:30	31-Oct	512K	520K	530K
	US	Continuing Claims	8:30	24-Oct	5749K	5805K	5797K
6-Nov	CA	Unemployment Rate	7:00	OCT	8.60%	8.40%	8.40%
	CA	Net Change in Employment	7:00	OCT	61.20%	10.0K	30.6K
	US	Change in Nonfarm Payrolls	8:30	OCT		-175K	-263K
	US	Unemployment Rate	8:30	OCT		9.90%	9.80%
	US	Change in Manufact. Payrolls	8:30	OCT		-48K	-51K
	US	Average Hourly Earnings MoM	8:30	OCT		0.10%	0.10%
	US	Average Hourly Earnings YoY	8:30	OCT		2.30%	2.50%
	US	Average Weekly Hours	8:30	OCT		33.1	33.00
	US	Wholesale Inventories	10:00	SEP		-1.00%	-1.30%

Notable dates

Next Bank of Canada rate announcement – 8 December 2009
Next FOMC interest rate announcement – **TODAY**

NUMBER CRUNCHING

Equity Indices	Index Level	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
S&P/TSX Composite Index	11,180.70	109.50	1.0%	2.5%	24.4%	-35.0%	7.2%	14.5%
S&P/TSX Composite Index TR	29,092.07	129.36	0.4%	1.5%	26.7%	-33.0%	9.8%	17.3%
S&P/TSX Equity Index	11,630.86	113.88	1.0%	2.5%	24.4%	-33.9%	10.2%	20.2%
S&P/TSX Capped Income Trust Index	119.16	1.17	1.0%	2.7%	24.9%	-26.1%	6.6%	-2.9%
Dow Jones Industrial Average	10,005.96	203.82	2.1%	3.0%	14.0%	-31.9%	8.9%	19.0%
S&P 500 Index	1,066.63	20.13	1.9%	2.9%	18.1%	-37.0%	5.5%	15.8%
NASDAQ Composite Index	2,105.32	49.80	2.4%	2.9%	33.5%	-40.5%	9.8%	9.5%
MSCI World	1,128.34	13.01	1.2%	2.0%	22.6%	-42.1%	9.7%	20.7%
MSCI EAFE	1,545.48	6.86	0.4%	0.8%	24.9%	-45.1%	11.8%	27.0%
Dow Jones Euro Stoxx 50	2,434.30	14.29	0.6%	1.0%	16.8%	-45.8%	-4.5%	14.3%
FTSE 100	5,125.64	17.75	0.3%	1.6%	15.6%	-49.5%	7.8%	14.8%
CAC 40 Index	3,708.73	38.40	1.0%	2.8%	15.3%	-45.1%	4.2%	20.9%
DAX Index	5,480.92	36.69	0.7%	1.2%	13.9%	-42.9%	22.3%	22.0%
Nikkei 225	9,717.44	-126.87	-1.3%	-3.2%	9.7%	-28.7%	-10.2%	7.9%
MSCI World TR	3,632.56	37.95	1.1%	0.9%	24.41%	-	-	27.1%
Shanghai Stock Exchange Composite	3,155.05	26.52	0.8%	5.3%	73.28%	-63.0%	97.9%	136.1%

S&P/TSX Sector Performance	Index Level	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
S&P/TSX Financials	1,502.75	12.69	0.9%	1.7%	32.5%	-36.4%	-1.6%	19.2%
S&P/TSX Energy	2,718.27	26.78	1.0%	1.1%	28.5%	-33.9%	8.2%	6.1%
S&P/TSX Materials	2,934.79	34.11	1.2%	6.8%	29.6%	-26.5%	30.3%	39.8%
S&P/TSX Industrials	1,049.64	12.77	1.2%	4.3%	14.5%	-25.1%	10.5%	14.7%
S&P/TSX Consumer Discretionary	847.37	6.07	0.7%	2.2%	4.7%	-35.4%	4.2%	15.7%
S&P/TSX Telecom Services	692.42	11.75	1.7%	1.2%	-3.9%	-24.8%	19.9%	20.1%
S&P/TSX Information Technology	228.20	1.36	0.6%	-2.9%	26.4%	-54.2%	48.2%	27.3%
S&P/TSX Consumer Staples	1,448.97	10.05	0.7%	2.8%	-0.6%	-6.1%	-5.3%	5.5%
S&P/TSX Utilities	1,517.72	8.85	0.6%	1.0%	0.5%	-20.5%	11.9%	7.0%
S&P/TSX Healthcare	310.14	1.23	0.4%	-0.7%	22.8%	-30.2%	-24.2%	0.7%

Currencies (in Canadian Dollars)	Index Level	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
US Dollar	1.0661	0.00	0.3%	-1.8%	-14.3%	22.1%	-14.7%	0.3%
Euro	1.5854	0.01	0.4%	-0.7%	-7.5%	16.9%	-4.4%	11.8%
British Pound	1.7675	0.01	0.5%	-1.0%	-0.8%	-10.2%	-13.6%	14.1%
Japanese Yen	1.1747	0.00	0.3%	-2.5%	-14.4%	50.5%	-7.7%	-0.7%

Energy Commodities (US$)	Index Level	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
Crude Oil (WTI per barrel)	$79.62	-0.78	-1.0%	3.4%	78.5%	-55.7%	57.2%	0.0%
Natural Gas (per million btu)	$4.78	0.06	1.2%	-5.2%	-14.9%	-25.0%	18.8%	-43.9%
3-2-1 Crack Spread	$4.84	-0.38	-7.2%	-18.5%	-9.1%	-47.0%	49.1%	-39.8%

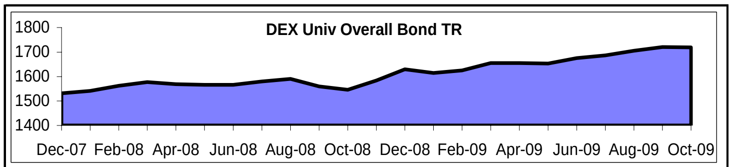
Metal Prices (US$)	Index Level	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
Gold (per ounce)	$1,090.32	0.02	0.0%	4.3%	23.6%	5.6%	31.0%	23.2%
Silver (per ounce)	$17.38	-0.03	-0.1%	6.6%	52.6%	-23.1%	14.7%	46.4%
Copper (per pound)	$2.97	0.05	1.8%	#VALUE!	#VALUE!	-56.6%	5.3%	38.9%
Nickel (per pound)	$8.09	0.04	0.5%	#VALUE!	#VALUE!	-59.2%	-23.6%	154.5%
Aluminum (per pound)	$0.86	0.01	0.9%	#VALUE!	#VALUE!	-38.1%	-16.7%	24.2%
Zinc (per pound)	$1.01	0.02	2.2%	#VALUE!	#VALUE!	-51.5%	-45.1%	121.6%

Index	Index Level	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
DJIA in Cdn$	10667.30	249.26	2.4%	1.2%	-0.3%	-16.7%	-6.8%	16.6%
S&P 500 in Cdn$	1137.13	24.87	2.2%	1.2%	3.3%	-22.9%	-9.7%	13.9%
NASDAQ in Cdn$	2244.47	59.79	2.7%	1.2%	16.8%	-27.2%	-6.0%	9.8%
MSCI World in Cdn$	1202.92	17.51	1.5%	0.2%	7.3%	-29.1%	-8.3%	18.2%
MSCI EAFE in Cdn$	1647.63	12.33	0.8%	-0.9%	9.2%	-32.8%	-7.0%	23.8%

S&P 500 Performance	Index Level	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
Financials	193.32	4.78	2.54%	2.27%	14.53%	-57.0%	-20.8%	16.2%
Health Care	337.04	5.32	1.60%	3.37%	8.93%	-24.5%	5.4%	5.8%
Technology	344.36	7.35	2.18%	2.99%	48.55%	-43.7%	15.5%	7.7%
Industrials	231.69	5.58	2.47%	4.78%	11.81%	-41.5%	9.8%	11.0%
Consumer Discretionary	218.79	5.49	2.57%	3.64%	29.15%	-34.7%	-14.3%	17.2%
Energy	435.18	6.89	1.61%	3.07%	12.64%	-35.9%	32.4%	22.2%
Consumer Staples	269.70	1.56	0.58%	1.41%	9.34%	-17.7%	11.6%	11.8%
Telecom	103.76	1.23	1.20%	0.70%	-7.11%	-33.6%	8.5%	32.1%
Materials	185.21	4.37	2.42%	4.66%	34.61%	-47.0%	20.0%	15.7%
Utilities	146.85	2.43	1.68%	1.87%	-0.73%	-31.5%	15.8%	16.9%

*Index total return data for 2005, 2006, 2007 & 2008 as per RBC CM Quantitative Research, with the exception of S&P/TSX Composite which is simple price return. YTD return data is simple price return. All North American indices in local currency unless otherwise noted,

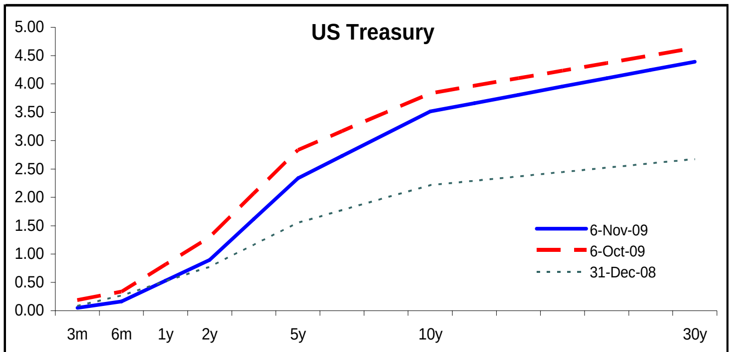
Bond Market

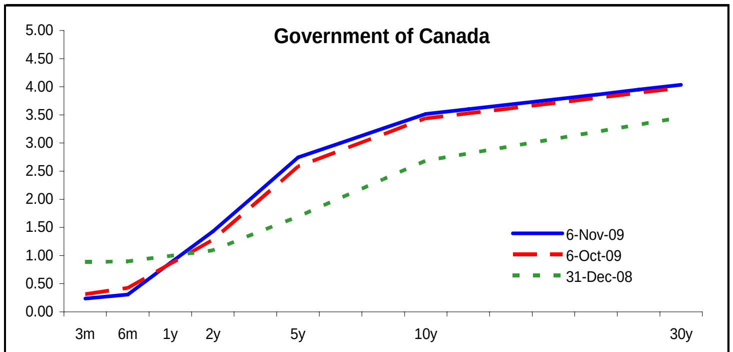


DEX Univ Bond Indices	Value	Month	Quarter	6 Month	YTD	Year
Composite	1359.29	1.13%	3.18%	3.07%	3.80%	8.86%
Short (1-5 Yrs)	1316.53	0.66%	2.70%	3.10%	3.99%	8.72%
Intermediate (5-10 Yrs)	1360.23	1.63%	2.88%	2.86%	3.94%	8.74%
Long (>10 Yrs)	1451.83	1.67%	5.94%	4.88%	4.98%	11.09%

Key Rates		Next Mtg
Overnight Rate CAN	0.25%	20-Oct
Bank Rate CAN	0.50%	
Prime Rate CAN	2.25%	
Fed Funds US	0-0.25%	4-Nov
Discount US	0.50%	
Prime Rate US	3.25%	

International Yields	O/N	1mo	10-Yr	Next Mtg
United Kingdom	0.50%	0.30%	3.87%	5-Nov
Eurozone	1.00%	0.20%	3.36%	5-Nov
Australia	3.00%	2.30%	5.63%	3-Nov
Japan	0.10%		1.45%	20-Nov





US Treasury Yields			Chg from Open
TSY 1 31OCT11	2-yr	0.88%	0.007
TSY 2.375 31OCT14	5-yr	2.33%	-0.004
TSY 3.625 15AUG19	10-yr	3.51%	-0.012
TSY 4.5 15AUG39	30-yr	4.39%	-0.013

Government of Canada Yields			Chg from Open
CAN 1.25 1DEC11	2-yr	1.41%	-0.022
CAN 2 1DEC14	5-yr	2.71%	-0.039
CAN 3.75 1JUN19	10-yr	3.50%	-0.033
CAN 5 1JUN37	30-yr	4.03%	-0.015

Money Market*

GIC's	1-yr	2-yr	3-yr	4-yr	5-yr
High	1.55%	2.25%	2.65%	3.10%	3.35%
Average	0.87%	1.74%	2.30%	2.68%	3.04%

	1 mth	2mth	3mth	6mth	1 yr
CDOR	0.40%	0.41%	0.43%	0.64%	0.75%
LIBOR US	0.24%	0.25%	0.27%	0.55%	1.16%

CAD $1,000,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	0.12%	0.16%	0.17%	0.25%	0.50%
BAs	0.24%	0.25%	0.26%		
CP	0.20%	0.23%	0.29%		
ABCP	0.50%	0.50%	0.50%		

CAD $100,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	-0.06%	-0.02%	-0.01%	0.07%	0.32%
BAs	0.00%	0.01%	0.02%		
CP	-0.04%	-0.01%	0.05%		

US $1,000,000	1 mth	2mth	3mth	6mth
T-Bills	0.03%	0.01%	0.04%	0.15%
CTBUS	0.05%	0.05%	0.10%	0.26%
GECC	0.16%	0.13%	0.19%	0.26%
ABCP	0.45%	n/a	n/a	

US $100,000	1 mth	2mth	3mth	6mth
T-Bills	-0.16%	-0.18%	-0.14%	-0.03%
CTB US	-0.13%	-0.13%	-0.08%	0.08%
GECC	-0.08%	-0.11%	-0.05%	0.02%

Economic Indicators**

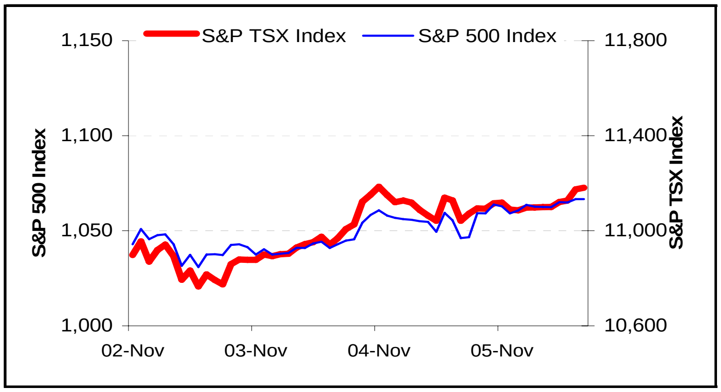
	Actual	Forecast		Forecast				Actual	Forecast	
	Q209	Q309	Q409	Q110	Q210	Q310	Q410	2008	2009	2010
Overnight Rate	0.25	0.25	0.25	0.25	0.25	0.75	1.25	1.50	1.00	0.75
10-Yr Yield	3.38	3.40	3.15	3.35	3.50	3.70	3.85	2.69	2.90	3.60
Real GDP (est)	(3.20)	2.70	2.80	3.20	3.50	3.50	3.70	0.40	(2.40)	2.50
Headline CPI (est)	(0.90)	(0.30)	1.20	2.00	1.60	1.70	1.50	2.10	0.40	1.70
Core CPI (est)	1.80	1.50	1.50	1.10	1.30	1.40	1.40	2.10	1.40	1.30

	Q209	Q309	Q409	Q110	Q210	Q310	Q410	2008	2009	2010
Fed Funds	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.25	0.0	0.50
10-Yr Yield	3.48	3.30	3.00	3.25	3.50	3.75	3.95	2.22	4.50	3.65
Real GDP (est)	(1.00)	1.80	2.60	2.60	2.70	2.80	3.10	0.40	(2.90)	2.10
Headline CPI (est)	(2.10)	(0.80)	1.20	1.80	1.30	1.30	1.10	2.90	(0.60)	1.40
Core CPI (est)	1.40	1.50	1.30	1.10	1.00	0.90	0.90	2.30	1.50	1.00

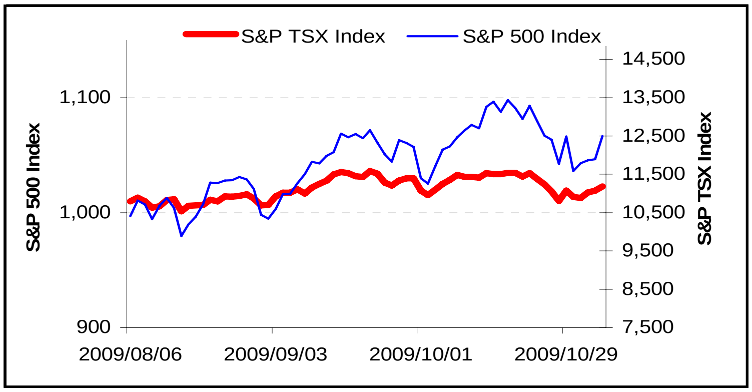
*The prices and yields shown are taken from sources we believe to be reliable. They are provided on an indicative basis for information purposes only. Prices and yields are subject to change with availability and market conditions. RBC Dominion Securities does not warrant its completeness or accuracy. This is not an offer or solicitation for the purchase or sale of any securities or financial instruments. Securities or financial instruments mentioned herein may not be suitable for all investors. ** Source: RBC Economics

Equity Indices Intraday - 5-Days

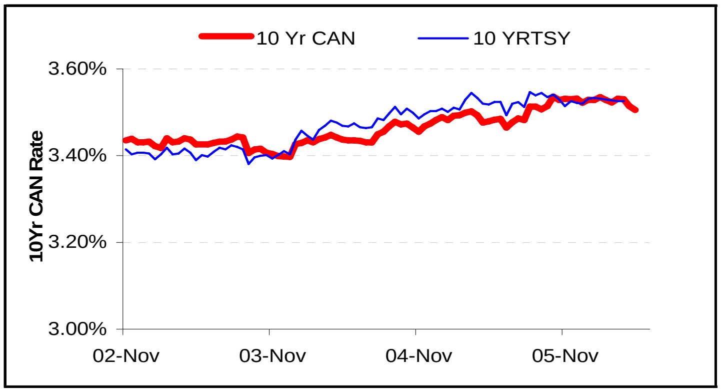
Equity Indices Intraday - 5-Days



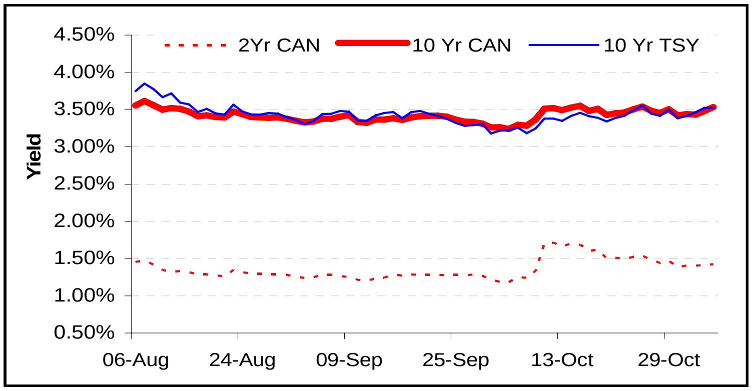
Equity Indices - 3-Months



10Yr Benchmark Intraday Yields - 5-Days

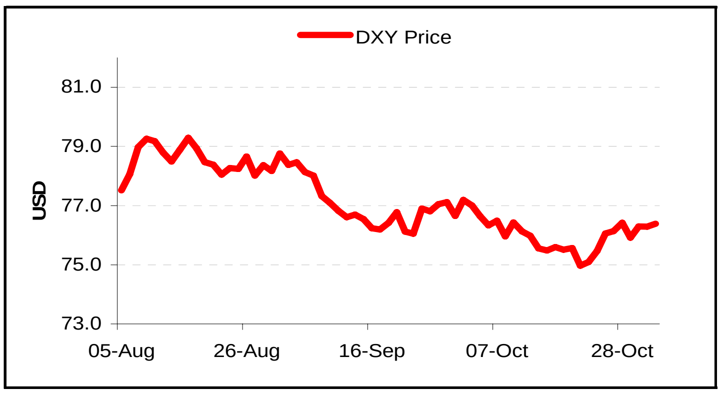


Benchmark Yields - 3-Months

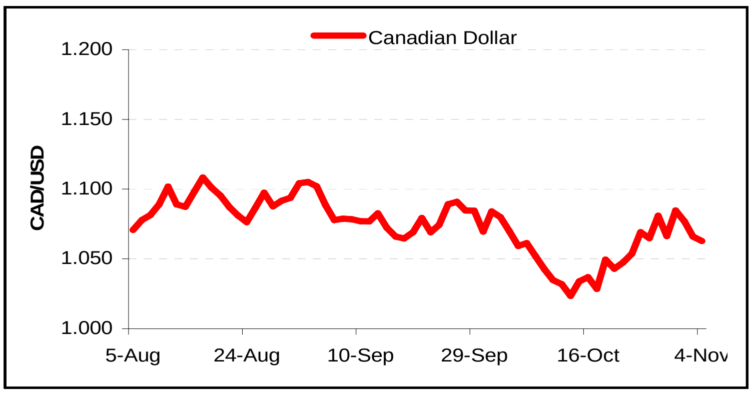


Currencies and Commodities

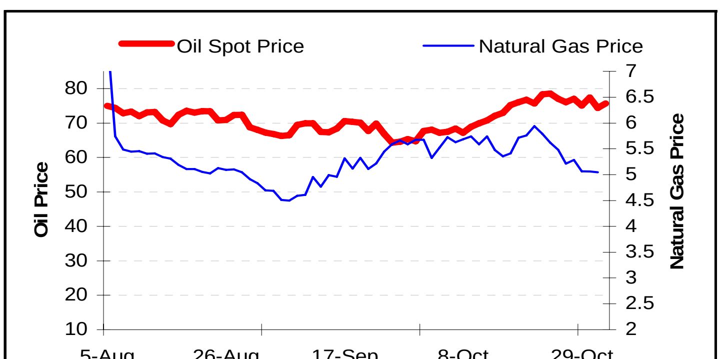
Trade weighted US dollar - 3 Months



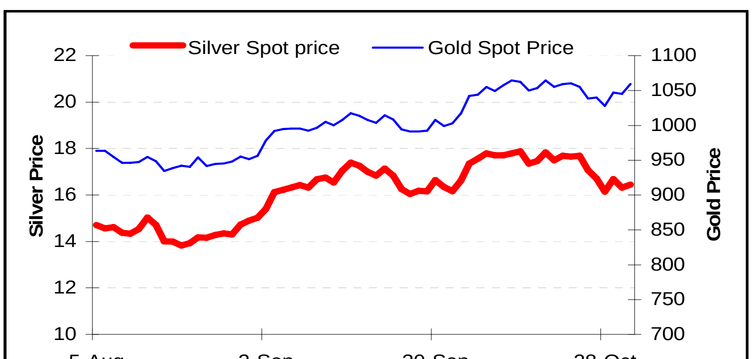
CAD Currency - 3-Months



Oil and Natural Gas Spot - 3 Months



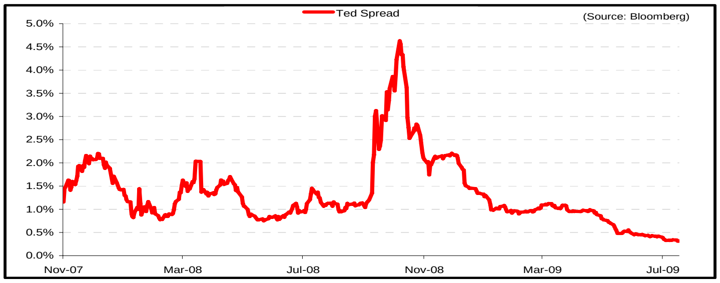
Silver and Gold Spot - 3-Months



Equity Indices Intraday - 5-Days

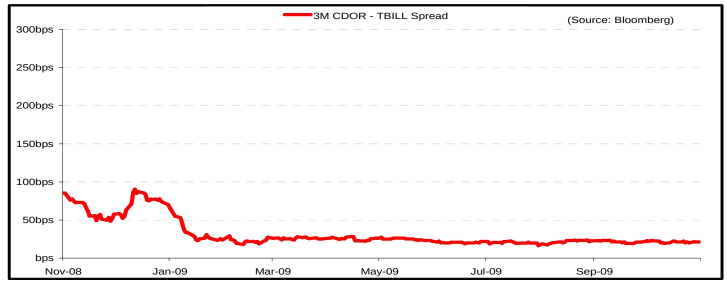
Corporate Credit Spreads

TED Spread



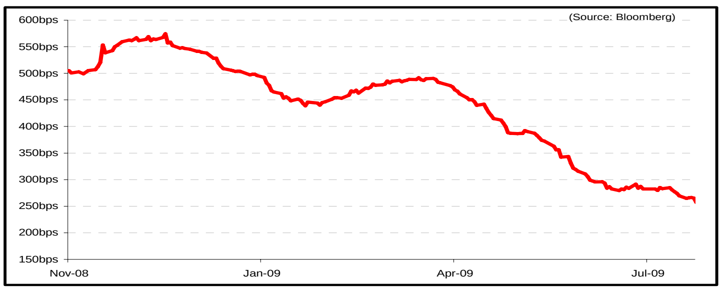
Description: The TED Spread is the difference between the 3-month LIBOR rate, which is a proxy for the rate investors earn on 3-month bank paper, and 3-month T-bills.

3M CDOR - 3M CDN T-BILL



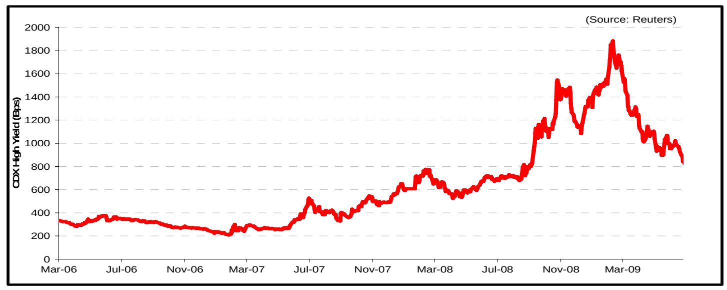
Description: Similar to the TED spread, the spread between CDOR and Canadian T-bills is a gauge of liquidity and risk aversion. CDOR is the average of the dealer's Bankers' Acceptance rates and the spread is a proxy for short-term credit risk.

BAA Corporate Bond Spread



Description: The Moody's Baa bond spread is the average credit spread of a universe of 20+ year Baa corporates.

CDX High Yield 5-Year Spread

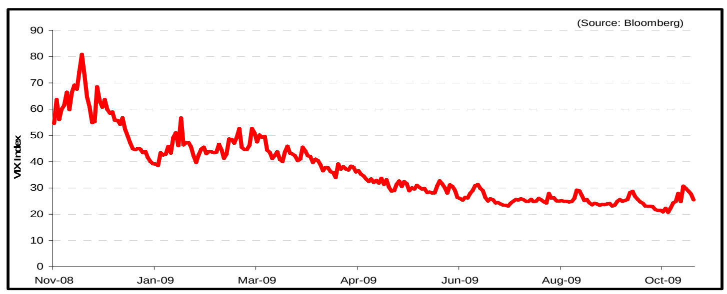


Description: The CDX High Yield index is an index of 100 5-year credit default swaps (CDS) of high yield issuers.

CDX Investment Grade 5-Year Spread

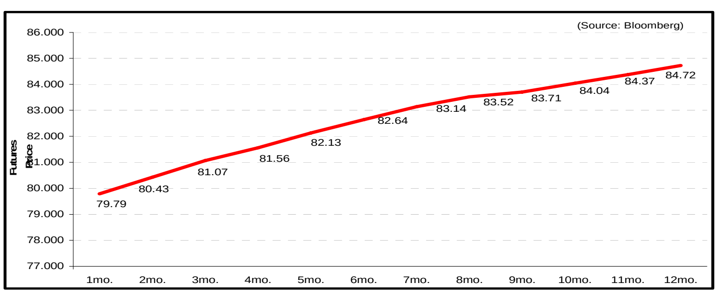
Description: The CDX Investment Grade index is an index of 125 5-year credit default swaps (CDS) of investment grade issuers.

CBOE SPX Volatility Index - "VIX"

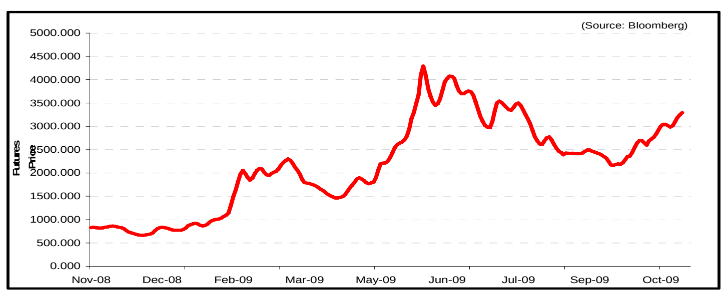


Description: The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

Crude Oil Futures Curve



Baltic Dry Index



Currency Forward Prices

CAD/USD Forward Prices

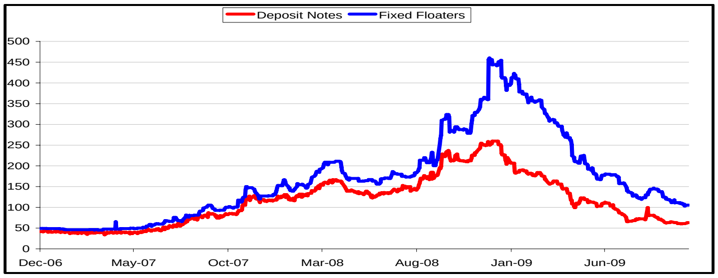
Contract	Forward Price
Spot	1.0662
1 Month	1.0662
2 Month	1.0662
3 Month	1.0662
6 Month	1.0664
12 Month	1.0676

CAD/EUR Forward Prices

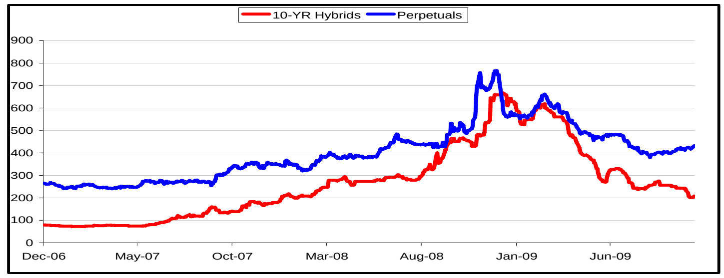
Contract	Forward Price
Spot	1.5859
1 Month	1.5858
2 Month	1.5856
3 Month	1.5854
6 Month	1.5848
12 Month	1.5841

Bank Bond Spreads

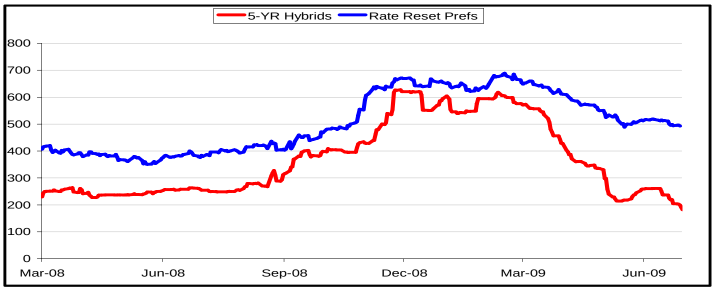
Deposit Notes and Fixed Floaters



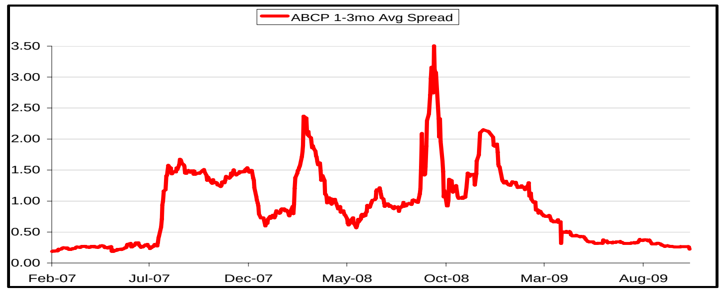
Hybrids & Perpetuals



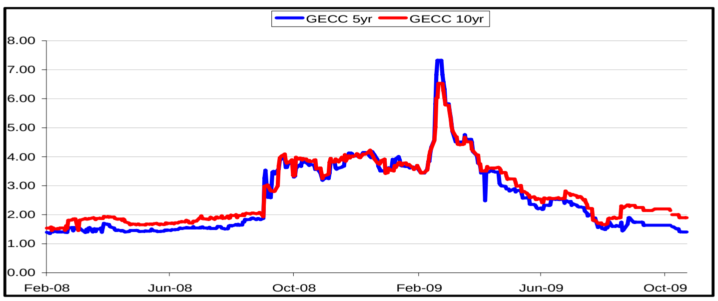
5 Year Hybrids and Rate Reset Prefs



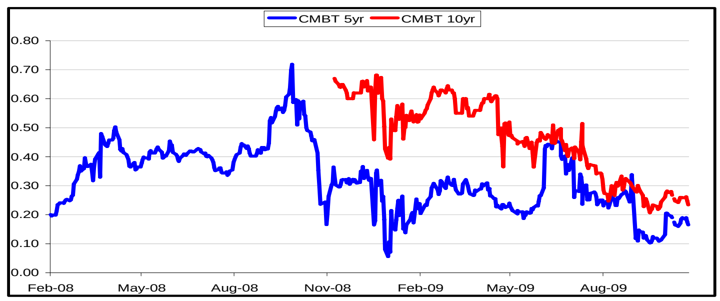
Asset Backed Commercial Paper



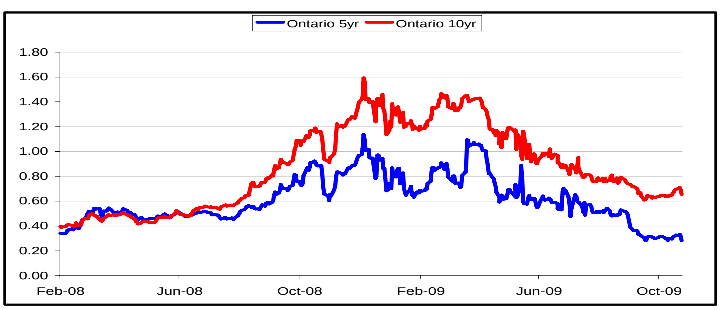
GECC

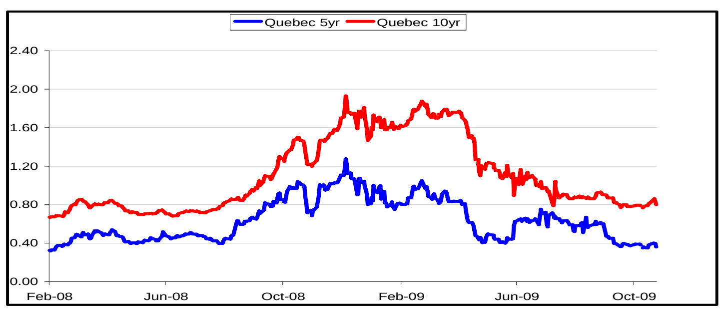


Federal Goverment Agency Spreads

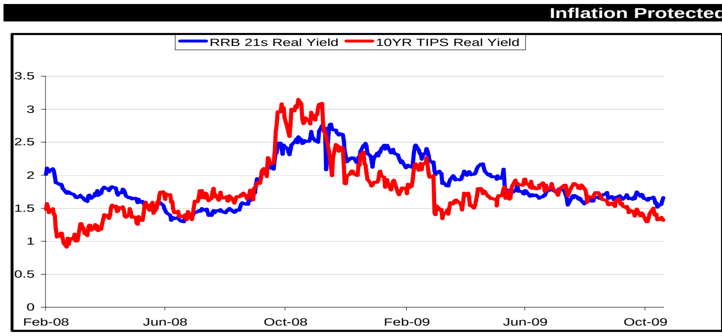


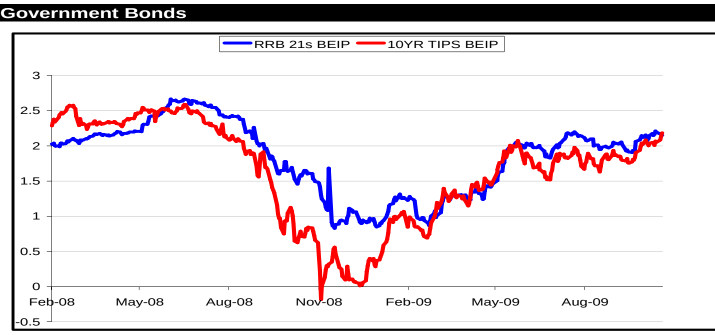
Provincial Spreads





Inflation Protected Government Bonds





Real Return Bonds give the investor compensation for inflation. Since investors are compensated for inflation (an unknown value) nominal yields can not be quantified, therefore yields are given on a real basis.

The Break Even Inflation Point (BEIP) is the average rate of inflation over the remaining life of the RRB or TIPS that will result in the investor being indifferent between holding the RRB and the nominal bond equivilant of the same term on a before tax basis. If the average inflation is higher than the BEIP (when the investor bought it) the investor will realize a higher before tax return on the RRB than the nominal bond and vica versa.

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Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

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Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.

Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

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Rating	Count	Percent	Count	Percent
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HOLD [SP]	525	44.49	108	20.57
SELL [U]	77	6.53	6	7.79

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