

# Altitude

Views and opinions  
for the clients and friends of



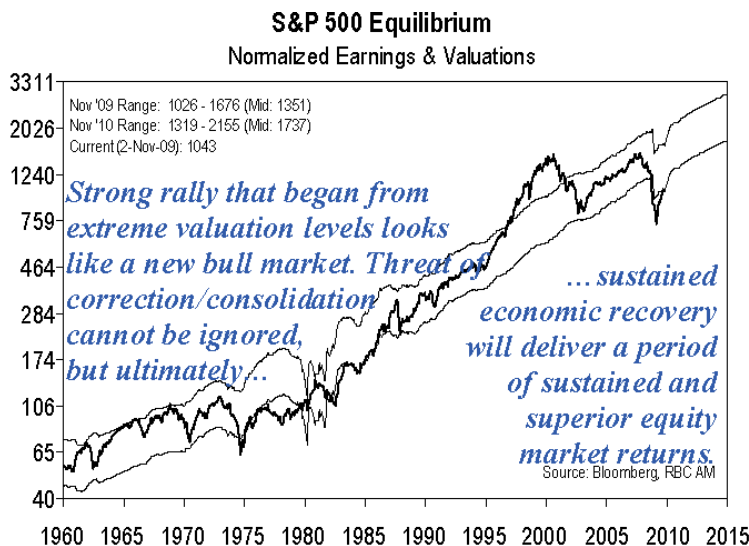
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## Crisis Ebbs, Economy Rebounds, Outlook Continues To Improve As Recovery Shows Signs Of Self-sustainability

- Recovery began in 2nd/3rd quarter, marking the end of the longest (20 months) and deepest (3.7% peak to trough decline in U.S. GDP) recession since the Great Depression. Economic slack/recovery potential is great, but so is the scar tissue.
- Headwinds to full recovery are still strong: impact on consumption from loss of wealth/saving/deleveraging, timing the removal of massive policy ease to minimize risk of inflation but without pushing the economy into reverse, funding massive fiscal deficits, adjusting to governments' larger role in economy.
- Housing, the epicentre of the crisis, appears to have bottomed as massive price adjustments are spurring activity. The financial system – collateral damage in the housing crisis – is healing, so credit markets can underwrite a recovery. But will borrowing demand materialize, or will a desire to deleverage dominate this cycle?



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## Crisis Ebbs... continued from page 1

- Consumers, especially wealthy consumers, are critical to the self-sustaining recovery. Watch employment data and spending patterns of high income earners for signs of traction.
- Expect recovery to accelerate in 2nd half of 2009 but growth in industrialized economies to hold below 2% through 2010. Deflation still appears cyclical and transitory, while reflation risks exist beyond the forecast horizon.
- Eventually global short rates need to move far above current levels, but we look for only modest hikes in mid-2010 as central banks remain focussed on threats to the self-sustaining recovery.
- Normalizing risk premiums/emergence of animal spirits/fear of deficit funding needs/concern over future inflation drove government bond yields from seriously depressed/unsustainable levels to rates that now appear reasonable relative to our estimates of equilibrium. However, total returns going forward look to be low single digits, so changes in exposure to fixed income markets are especially sensitive to price.
- Corporate credit markets are still on a tear as prices rebound from a near-death experience. Still, yield spreads remain wide by historic comparison and key drivers of that spread (leading economic indicators, the profit cycle, yield curve slope) all indicate the gap to government bond yields should narrow further.
- In the 7-month rally from the March lows, stocks produced gains that match the norm for the first 2 years of a bull market. Valuations, though, remain very attractive compared to our estimates of equilibrium (fair value) in every major equity market. The threat of a near term correction/consolidation cannot be ignored given the intensity of the recent advance. However, tactical strategies that seek to minimize exposure to stocks in anticipation of a brief period of low or negative returns are exposed to the very significant risk of missing out on the substantial longer-term returns that should be produced by equity markets in a self-sustaining economic expansion as earnings recover and as valuations are ultimately restored to the norm.
- Recommended asset mix continues to overweight equities while we closely monitor technical indicators for signs that the threatened correction is increasing in certainty or expected scale. Our underweight position in bonds has been progressively modified as yields have climbed from their spring-2009 lows.

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## The World Loves Canada! How High is the Canadian Dollar Going to Rise?

Over the last few months the Bank of Canada was fairly successful to "talk the dollar down", but every correction downwards was met with renewed buying from the Canadian Dollar bulls. As the world starts to love our commodities more and more we will see larger amounts of money flowing into our country. While a massively higher Canadian dollar is bad for our exporting sector, it is good for all imports and the general "employed" consumer.

Prepare yourself for a changed landscape, since history tells us that established currency trends can last a long time. Can the Canadian Dollar move past parity against it's US counterpart? Most certainly! Please see the Canadian Dollar Chart plotting our currencies course from 1952 to the present.



# Scary

## Some Good Advice:

**This gives us something to think about with all our new electronic technology.**



## GPS

A couple of weeks ago a friend told me that someone she knew had their car broken into while they were at a football game. Their car was parked on the green which was adjacent to the football stadium and specially allotted to football fans. Things stolen from the car included a garage door remote control, some money and a GPS which had been prominently mounted on the dashboard.

When the victims got home, they found that their house had been ransacked and just about everything worth anything had been stolen.

The thieves had used the GPS to guide them to the house. They then used the garage remote control to open the garage door and gain entry to the house. The thieves knew the owners were at the football game, they knew what time the game was scheduled to finish and so they knew how much time they had to clean out the house. It would appear that they had brought a truck to empty the house of its contents.

Something to consider if you have a GPS - don't put your home address in it. Put a nearby address (like a store or gas station) so you can still find your way home if you need to, but no one else would know where you live if your GPS were stolen.

## MOBILE PHONES

*I never thought of this.....*

This lady has now changed her habit of how she lists her names on her mobile phone after her handbag was stolen. Her handbag, which contained her cell phone, credit card, wallet... Etc...was stolen. 20 minutes later when she called her hubby, from a pay phone telling him what had happened, hubby says 'I received your text asking about our Pin number and I've replied a little while ago.'

When they rushed down to the bank, the bank staff told them all the money was already withdrawn. The thief had actually used the stolen cell phone to text 'hubby' in the contact list and got hold of the pin number. Within 20 minutes he had withdrawn all the money from their bank account.

## MORAL OF THE LESSON:

- Do not disclose the relationship between you and the people in your contact list.
- Avoid using names like Home, Honey, Hubby, Sweetheart, Dad, Mom, etc....
- And very importantly, when sensitive info is being asked through texts, CONFIRM by calling back.
- Also, when you're being text by friends or family to meet them somewhere, be sure to call back to confirm that the message came from them. If you don't reach them, be very careful about going places to meet 'family and friends' who text you.



# Soaring

2009 was my first full soaring season since 25 years. I joined York Soaring in 2008 situated close to Arthur on a large field which is club owned. Club planes are stored in a large hangar; they range from several 2 seaters to a range of single seaters. Several members of the club act as instructors and tow pilots to keep the operations going.

After getting my license back I bought a partnership in a higher performance single seater. After several beautiful flights I found myself in September close to Durham without the necessary updrafts and had to land on a pasture. I overlook a small hill in the landing area and flared my glider right into this small elevation (it is difficult to see small elevation changes from higher up). My gear collapsed and I had to order new gear brackets from Poland, the birth place of my glider. After a few weeks of waiting and fixing I am back to flying again, but now fall took over. In the winter time flying activities cease, since the runway is muddy and thermals are often non-existent.

I look forward to the 2010 season; my goals are for larger cross country flights and hopefully a standing amidst the 100 or so competition glider pilots of Canada.

If you would like to come out to an introductory flight next year in one of our double seaters (I promise I won't land on a pasture!) please contact me for a possible date!



***That's me in my glider!***



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