

March 17, 2012

This week's markets update will be brief. Investors are pausing to take a breather and digest the current market rally. North American markets are experiencing a rally with no apparent end. Data from the job sector has been stronger than expected. A stronger than anticipated economic growth cycle with a forecasted GDP of 3% in 2012 is very attainable. Markets did pull back mid-week as rising crude prices looked to spoil the current rally. Oil speculators retreated as the threat of an Iranian conflict subsided allowing markets to recover. The American dollar has been the benefactor of oil's loss. Housing starts will be released next week. Early predications indicate a stealth recovery. If this holds true then America is in better shape than anyone thought. The better than anticipated performance have investors eager to jump in but are pausing to see what action if any the Fed will take. A key indicator of "Fed" action is the consumer price index rising 0.4% in February due to a sharp rise in gasoline prices. The annual consumer price index is 2.9% well within the comfort zone of the "Fed". Food cost remained unchanged while natural gas prices continue to decline. Another key indicator is the Reuter Michigan consumer sentiment index. Despite the rise in gasoline, the index rose to 2007 levels at 75.3 up three tenths.

Greg Smith (a senior vice president at Goldman's) did what many more quietly feel. Mr. Smith resigned and published an essay in the New York Times revealing the predatory practices and culture towards clients at Goldman's. Former Fed Chairman Paul Volker's proposal for financial reform should be implemented which would all but eliminate opportunity for predatory behaviour.

Politics always play a big part of American life but the majority seems resolved that whoever the republican candidate may be, they will not be up to the task of defeating Obama.

European markets rose on the positive outlook coming from America. London gained 0.3%, Paris was up 0.1% while Frankfurt advanced 0.3%. The Europe Stoxx 50 climbed 0.5% to a high not seen since July 2011. Tension builds, as private lenders are not happy with the ECB's contracting themselves with preferred status in the new round of Greek debt bailouts. Greece becoming a de-facto administrative region of the EU has other member states crying foul. In Hungary, protestors took to the street supported by President Laszlo Solyom. The actions of the EU leadership are no different from when the Soviet tanks entered Hungary in 1946. The days of 'free and easy' money is over. Now it is time to pay up and perform or risk administrative occupation. A report released by Ernst and Young estimated GDP to contract in the EU further to 2.5%. As the British parliament prepares for the annual budget next week, Britain's credit rating will be scrutinized currently at AAA-.

In Canada, our Loonie strength is dragging down our manufacturing and export sector. As a result, the manufacturing sector is the worst in job recovery. It has recovered only 1/3 of the jobs lost prior to the recession. In the last 12 months, it has shed another 41,000 jobs.

March 17, 2012

Asia was also riding high on the wave of good news. Notable mention goes to Japan. The Nikkei gained for the 4th day and extended a sixth week gain.

China on the other hand is slowing. Rising labour costs, a weakening American dollar and a recession EU continue to erode exports. HSBC flash China Purchasing Manager Index PMI is forecasting further slowdown in China's manufacturing sector.

Oil and energy are forefront of any economic recovery. Oil prices are attempting to push new highs as the situation in Iran drags on. Many of the money shows focus a good segment of time on oil also. According to a just released report on Larry Kudlow's CNBC TV show, revealed America has 1.4 trillion barrels of recoverable oil, which will meet the needs of American's for the next 200 years. This report shocked oil spectators and oil's trajectory retreated but managed to close up Friday at \$107.06 a barrel up \$1.95. Another shocker was a report released after a fierce debate on President Obama's anti drilling policy. Natural gas will become the next choice for energy generation. As coal plants age and phased out, natural gas burning plants are be built in record numbers. By 2015, 258 new natural gas plant generators will be built to supply electricity. The plants run clearer, are easier to build and cheaper. The average natural gas fired electric generation plant requires about half the capital cost and about half the build time.

Gold is under retreat as good news pours in. The value of gold as a safe haven currency weakens as the greenback strengthens. Gold is vital metal in industrial applications, commercial use, and jewelry apparel and more importantly as a means to protect assets from weakening fiat currencies. For instance, the British pound is under threat as rating agencies once again scrutinise the annual budget presented next week to parliament.

In Canada, our Loonie strength is dragging down our manufacturing and export sector. As a result, the manufacturing sector is the worst in job recovery. It has recovered only 1/3 of the jobs lost prior to the recession. In the last 12 months, it has shed another 41,000 jobs. All expectations are that Bank Governor, Mark Carney, will not hike rates. A rate hike would fuel the Loonie to rise rapidly and would completely kill manufacturing. Given the mess of fiat currencies globally, our Loonie will continue to appreciate and the Bank of Canada must find other ways to keep the Loonie from flying too high too soon.

Locally, the spirit of entrepreneurship is just amazing. We are definitely the start up capital of Canada. This week's honourable mention goes to JAD Software and the courage of Jed Saliba. Jed was diagnosed with Hodgkin's lymphoma in 2007. Today he is in remission and the owner of a leading edge software forensic company offering on the spot forensic tools to more than 1500 government crime agencies in 92 countries. It just goes to show that with a proper mindset anything is possible even the impossible. I'm proud to say KW is a shining example of what happens when passion, determination commitment and intelligence materialize into world-class success.

March 17, 2012

Happy St. Patty's Day! Keep your green on!