

November 3<sup>rd</sup>, 2012

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America's presidential election is into the final days. Both Obama and Romney are running neck and neck. Such a close campaign has put markets in near neutral movement. The good news is that the American economy is strengthening as GDP, ISM, construction activity and consumer confidence grow. The general strengthening of America's economic engine is adding positive momentum to global markets.

Euro zone leaders have been doing just enough to keep the union from imploding. Unfortunately, the lack of impetus to *grab the bull by the horns* has resulted in economic deterioration. Manufacturing activity has declined for the fifteenth month. Seasonally adjusted PMI for October is at 45.4 as reported by Markit. German manufacturing also slid to 46, well below their long-term average of 52. Greece is proving to be the Achilles' heel for the Euro zone. Greece has no desire to undergo the prescribed reforms. EU leader speak of helping Greece only if Greece first helps itself by implementing change.

For the last 18 months, ongoing debate has been around China's economic strength and the leadership ability to safely land a recessionary economy. Well, the debate is over, China has crash landed into a serious recession. Despite all the stimulus, China's economy has stalled. GDP is forecast at 5% growth, well below what is needed to keep China in the black.

How Chinese leaders proceed to stimulate economic growth will determine how far around the world the ripple effects are felt. A recessionary China is not bad news globally since China is a mass exporter of goods not a significant consumer. More than likely, leadership will pursue heavy spending on job creation programs in the area of infrastructure and development. Under such a scenario, commodity prices would weaken less, but expect to see an overall softening of energy and commodities as global GDP remains subdued.

Positive data from America pushed Asian markets higher. The big winner was India's Sensex, up 1.04%.

WTI light sweet crude prices for December delivery fell \$2.23 landing at \$84.86. The EIA reported America's crude supplies dipped to 2 million barrels while gasoline stock piles rose by just under 1 million barrels. Furthermore, it is expected that supply will rise both for oil and gasoline in the months to come.

Oil's weakening price further enhanced the value of the greenback.

Positive economic news served to push the price of the world as a safe haven currency, gold. Gold for December closed down \$40.30 to \$1675.20 an ounce.

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On the Canadian front, the leveling of oil prices and a softening of gold served to deflate the TSX. Statistics Canada reported 1880 jobs were added in the month of October. Economists' expectations were not met. The yearly data shows a different picture with 229,000 jobs added, all of which were full time for a growth rate of 1.3%. Bank of Canada Governor Mark Carney described Canada's labour market as better than most advanced economies but still below par noting that more Canadians are wanting jobs than work available. Additionally, many still are only employed part time.

Remembrance Day has always been a special day. It was with great awe and disgust that the newly elected Premier of Quebec decided to defile and dishonour the poppy, which honours the men and women who unselfishly gave their lives so that we can enjoy such a beautiful society. The desire to be distinct does have boundaries. Arrogance and hypocrisy have none. What a crass individual.