

The Investment **EDGE**

Spring 2008



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Table of Contents

Market Commentary

Consumer Confidence

The Economy and the Stock Market
are two different things

Pension Income Splitting

TSX Bear and Bull Markets
(1957-2007)

In case you didn't know...we offer
GICs

Keep thinking Green

The Last Word

Always laugh when you can. It is
cheap medicine.

Lord Byron (1788 – 1824)



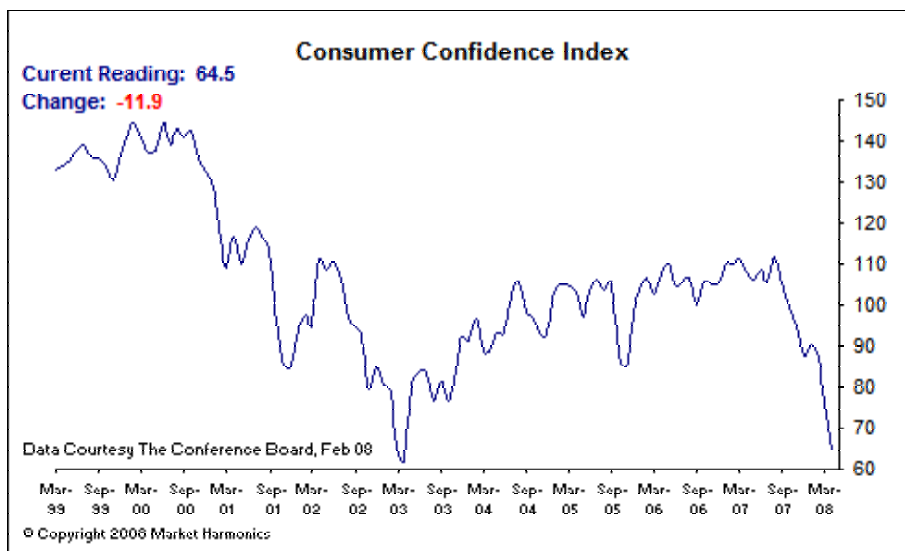
Market Commentary

Another quarter gone by... another quarter fraught with equity market volatility. The market's anxiety has been centered on two issues: the health of the US economy and the health of the global financial system. The biggest news story in the equity markets during the quarter had to be the venerable Bear Stearns, which has been in business as an investment bank for 85 years, would be taken over for approximately \$2/share (subsequently raised) by JP Morgan Chase. The Federal Reserve understood the seriousness of Bear Stearns going bankrupt and agreed to fund JP Morgan in the transaction. This decision by the Fed not to let big name financials fail has helped give more confidence in the sector; providing a virtual backstop. This we feel could be viewed as a "reflection" point – the first positive step back to normalcy in the credit markets.

The price of both oil and gold have hit records in March as investors seemingly bought them as a hedge against weak US dollar and rising inflation. This wealth transfer into hard assets continues in 2008 and is not at the end of its cycle.

Consumer Confidence

The US consumer hasn't been this pessimistic about the economic future since March of 2003. Hmmmm... interesting, March 2003 was the start of the last equity Bull market. It would seem markets tend to move higher well before consumers regain their confidence in the economy.



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The Economy and the Stock Market are two different things

~ Excerpt from The Gartman Letter

Capital, created by the central banks, floods into the system as the economy wanes, but not being needed as inventories are worn down, as employees are laid off, and as business conditions deteriorate, that capital finds its way into equities. Therefore, equities rise even in the midst of recession. It is for this reason that the stock market is one of the "leading economic indicators." Conversely, as business conditions heat up; as inventories are accumulated and as employees are added to payrolls, capital is demanded by the economy itself, and that capital flows from the equity market at the margin.

Pension Income Splitting

The rules have changed. You can now income split your pension income and for many this will save tax. Hats off to the Tories – it's about time!

Check out the table below for details, and if you have any questions, be sure to give us a call.

SOURCE OF RETIREMENT INCOME	HOW MUCH CAN BE SPLIT? (%)	AT WHAT AGE?
Registered Pension Plans (RPPs): Defined Contribution (DC) and Defined Benefit (DB)	Up to 50%	No age requirement
RRIFs RRSP annuities LIFs LRIFs Deferred Profit Sharing Plan (DPSP) annuities	Up to 50%	65 and up
Canada Pension Plan (CPP) Quebec Pension Plan (QPP)	Up to 50%	60 and up

TSX Bear and Bull Markets (1957 –2007)

Average duration of Bear: 11 months

Average duration of Bull: 32 months

We must keep this in mind.

In case you didn't know...

We offer GICs

Many of you know this but for those of you whom don't – we offer Guaranteed Investment Certificates (GICs). We shop ten different issuers for you to ensure you get the best rate possible.



Keep Thinking Green

Can we send this newsletter to you electronically? In order to reduce paper we would be happy to add you to our email list.

If you have any ideas or suggestions for our newsletter, we'd love to hear from you! Just send an email to carol_cadeau@scotiamcleod.com

One Final thought:

Most folks are about as happy as they make up their minds to be.

Abraham Lincoln (1809 - 1865)

