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**The Last Word**

***"Americans need to understand we have the will and the commitment as a country to go back to living within our means." Timothy Geithner, U.S. Treasury Secretary, rallies his compatriots***



# The Investment **EDGE**

Spring 2009

**Green Economic Sprouts**

Spring is here and what a difference a couple of months can make. For the first time in over 6 months there are indications that the worst of this recession is behind us. The majority of the global stock indices are up over 25% from the lows made early in March 2009. Capitalism is not dead, lower prices do attract buyers, and corporations do save money by cutting costs. Locally, Research in Motion reported great earnings and re-affirmed itself as a leading edge company in the ever expanding smart phone market. The North American auto industry is undergoing a painful reorganization, receiving concessions from both labour & bondholders; reminding us that sometimes things need to get worse before they can get better.

The three things that we are watching closely here at the MSR Wealth Group are: U.S. housing prices, credit markets and jobless claims. For the recession to end and the next bull market to begin, we believe these three areas must show a marked improvement. U.S. housing prices must stabilize. Some recent housing numbers have been pointing to increasing sales, month over month, which we find encouraging. **(Cont. on Page 2)**

**Canadian financial index finally gets some respect...**



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**Cont...**

Also encouraging is that the credit markets are starting to function with some normalcy. Credit spreads (yield difference between a corporate bond versus a government bond) are still quite wide, and we have taken advantage of this opportunity. In Canada, where there were essentially no new bond offerings in the last three months of 2008, we have witnessed a huge surge in new issuance of corporate bonds and preferred shares – more importantly the demand for these deals was above average.

Finally, one of the better indicators of a recession officially ending (albeit historically) is a sharp spike up in jobless claims (already happened) followed by a similar spike downward. Companies layoff aggressively near the end of a recession; exhausted they find themselves unable to function with any fewer employees and feel comfortable with their newly trimmed 'waistline'. The sharp spike down in weekly jobless claims has marked the end of every recession for the last five decades. Keep a close eye on weekly jobless claims, we are watching with keen interest

**A Trend to Watch Going Forward...**

The People's Bank of China is now proposing replacing the U.S. dollar as the international reserve currency with a system controlled by the IMF. In his comments Mr. Zhou said his goal is to establish a reserve currency "that is disconnected from individual nations and is able to remain stable in the long run. Thus removing the inherent deficiencies caused by using credit-based national currencies. The outbreak of the current crisis and its spillover to the entire world reflected the inherent vulnerabilities and systemic risks in the existing international monetary system".

Mr. Zhou is proposing returning to the "Special Drawing Rights" (SDR) established by the International Monetary Fund back in the late 1960's. The SDR would be based on a basket of all major economies' currencies. A settlement system between SDR's and other currencies would be set-up so they could be used in international trade and financial transactions.

If this idea of a SDR moves forward in the coming decade it is very hard to see this as a positive for the U.S. dollar. The positive would be the hope that this should strip out some of the currency volatility that makes doing business internationally so challenging.

The MSR Group is very excited to be participating in a Public Forum

**Celebrating Seniors**

**My World...Your World...Our World.**

**Free of Elder Abuse**

June 15<sup>th</sup>, 2009 ~ 5:15pm - 8pm

Kitchener Public Library, 85 Queen St N

*No Charge - Light Supper*

**New Webpage Launched**

[www.themsrwealthgroup.com](http://www.themsrwealthgroup.com)

The site is your source for current financial information and insights that we feel are important.

**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 [linda\\_koebel@scotiamcleod.com](mailto:linda_koebel@scotiamcleod.com)

**One Final Thought:**

**What is One Billion?** – According to a recent government publication...

A billion seconds ago, Harry Truman was president.

A billion minutes ago was just after the time of Christ.

A billion hours ago, man had not yet walked on earth.

A billion dollars ago was late yesterday at the U.S. Treasury.

Source: <http://www.ahajokes.com>