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“The inherent vice of capitalism is the uneven division of blessings, while the inherent virtue of socialism is the equal division of misery”

Sir Winston Churchill



The Investment **EDGE**

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Market Observations

This is truly a global correction with most stock markets off 40 – 45% from their highs. The media has not put a name on it yet, lets call it the “The Great Crash of 2008”. We are all living through unprecedented economic times: Too much leverage in the global financial system compounded by a collapse in US real estate, followed by a steep correction in equities and commodities has strained the world’s economies. This is a period in time that will be studied by economic scholars for years into the future. They will debate why this happened (too much cheap credit) and how it should have been fixed.

During these days of such extremely fast moving markets, the one thing we are convinced of now, is that the US is pulling out all the stops to re-inflate the economy and the market. They understand that when everyone is deleveraging(selling) at the same time, the only buyer that can leverage up is the Government. Warren Buffet believes “if they do it right and I think they will do it reasonably right, they won’t be perfectly right, I think they will make a lot of money.” Economic scholars will pick over the details of the bailout with hindsight on their side – current market participants just know we need to re-inflate the economy. (Con’t on page 2)



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Cont...

As we write this commentary the US has officially been declared to be in a recession. It is almost impossible to find a positive note on the global economy. During these times it is important to remember that the Canadian and US stock market have recovered from every major bear market. It has survived countless wars and a depression that threw the world into what many worried was a death spiral. Recessions are no fun – but they are a natural part of the economic cycle.

Until the markets turn around the best thing investors can do is stay properly diversified, avoid panic selling and keep a sense of perspective. The markets will recover, it is just a matter of the level of patience necessary to overcome the uncertainty and take advantage of this opportunity.

Unleaded Gas

One of the only positive developments from the recent market correction is that unleaded gas prices (chart on page 1 in US dollars) have fallen off a cliff. The savings for the average family, small business, and corporations are large and very real. The result is much like a large Government bail out, but doesn't cost the tax payer anything.

Tax-Free Savings Accounts

Starting in 2009, Canadians will be able to contribute to a tax free savings account (TFSA). Everyone who is at least 18 years old will begin to accumulate \$5,000 (to be indexed annually, rounded to the nearest \$500) of TFSA contribution room. This TFSA contribution room will be cumulative and will be carried forward indefinitely for future years.

Further information about the TFSA is available on the Canada Revenue Agency website:

<http://www.cra-arc.gc.ca/gncy/bdgt/2008/txfr-eng.html>

Bankruptcy law changes protect all registered assets from seizure

With the passing into law of Bill C-12, an amendment to the federal bankruptcy and Insolvency Act, this situation has now been addressed. As of July 7, 2008, all registered investments will enjoy the same creditor protection as insurance and pension investments. The bill does state that contributions made to registered plans in the 12 months prior to bankruptcy action may not be subject to that protection. This is designed to deal with the potential situation where a person intentionally attempts to place funds beyond the reach of a creditor.

New Team Member

We are pleased to announce that Linda Koebel will now be supporting our team. Linda will be handling all facets of administration for our group.

Linda Koebel
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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 linda_koebel@scotiamcleod.com

One Final Thought:

The TSX Composite Index and S&P 500 Index offer dividend yields that are higher than the yields on 10-year government bonds. The S&P 500 also yields more than a 30-year Treasury at these levels.