



CIBC
Wood Gundy

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The age old analogy of ‘the stock market resembling a roller coaster ride’ describes current markets. Attached is a well written piece by CIBC Asset Management that I would encourage you to read. Markets are very volatile at present (which is unusual for the traditionally slower summer months) but a combination of factors well beyond corporate fundamentals is driving markets. August statements will not be pretty, but accounts are down far less than market averages.

Selling pressure is coming from concerns based on European debt issues, the U.S. debt downgrade and poor forward economic indicators. On occasion though, we see strong buying as investors get interested in global stock valuations (that are about 20% below normal levels) at a time when competing government bond yields pay little. For example, five year governments in Canada and the U.S. are down to a paltry 1.4% and .8% respectively.

Our best guess is that we are heading for a long period of slower than normal economic growth in the developed world as fiscal tightening will need to occur to deal with high levels of government debt. There is a silver lining in this slow growth environment as interest rates will be going no where for an extended period of time, and inflation and consumer spending will be helped by more reasonable energy and commodity prices. In this environment, your portfolios should do fine over the longer term as we have good quality and decent yielding (locked in) fixed income investments combined with defensive equity portfolios that overweight higher dividend paying large cap equity’s and underweight resource stocks and traditionally volatile emerging stock markets.

Overall Global economic growth over the years ahead will likely average close to a healthy 4 to 4.5% due to fast growing developing economies taking up the slack (from slower growing developed markets) so our Global large cap multinationals should perform fine in this environment. We have never seen corporate balance sheets in as good shape as we see now and corporate cash positions are at record highs. As we have mentioned many times in the past year and half, we continue to safen up the fixed income portion of client accounts with new buys.

For clients with outside cash type investments, there are reasonably good buying opportunities at present and we encourage any client to call in for an update, particularly during times like this.

Today is Angela’s last day with us as she heads back to CIBC Wood Gundy in Montreal to be closer to her family. Angela has been a pleasure to work with over the years and will be missed. I am pleased to introduce and welcome Melanie Burns to our team. Melanie was a Sales Assistant (and then Branch Administrator) in our White Rock branch and she brings a lot of experience to her position.

Regards,

Neil Pope
First Vice-President
Investment Advisor
CIBC Wood Gundy - Richmond, BC

Encl. – August Volatility Report

Yields/rates are as of August 19th, 2011 and are subject to availability and change without notification. Minimum investment amounts may apply.