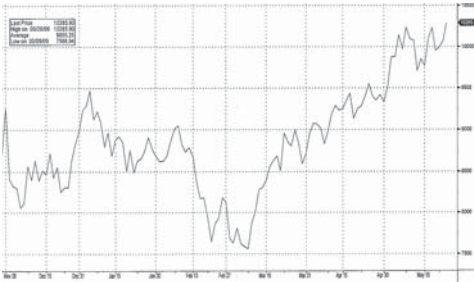




**MONTHLY PERSPECTIVES** June 2009

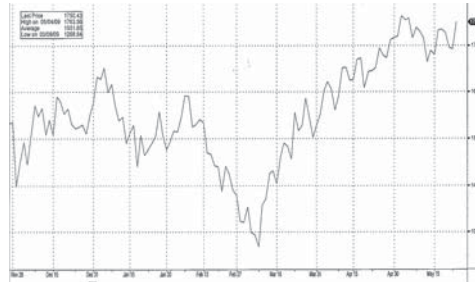
Data for charts as of trading close May 26, 2009

**S&P / TSX**



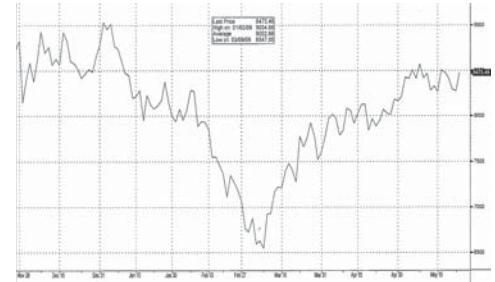
**10,285.90** 9.49% month change

**NASDAQ**



**1,750.43** 4.23% month change

**DJIA**



**8,473.49** 4.81% month change

**Market Indices**

Financials	May 26	30-day net change	Commodities	May 26	30-day net change	Markets	May 26	30-day % change
3 Month T-Bill	0.18%	- 0.15	Canadian \$ (US¢)	\$89.51	7.48¢	S&P 500	910.33	6.16
Long Bond CDN	4.08%	0.32	Gold (US)	\$953.30	47.00	FT-SE (U.K.)	4,411.72	5.87
3 Month US T-Bill	0.18%	0.09	Crude Oil (US)	\$62.32	12.21	Nikkei (Tokyo)	9,310.81	6.70
Long Bond US	4.49%	0.65	Silver (US)	\$14.60	1.78	Hang Seng (H.Kong)	16,991.56	14.50
Bank Rate	0.50%	0.00	Copper (US)	\$2.14	0.14	Bolsa (Mexico)	24,640.08	12.89
Prime Rate	2.25%	0.00	CRB Index	254.44	36.25	DAX Index (Germany)	4,985.60	6.21
PI Cash Account	0.01%	- 0.04	Lumber (US)	\$175.20	7.50	CAC-40 (France)	3,270.09	5.40

**CDN Market Commentary**

End-of-recession rallies tend to be very steep. In the last five U.S. recessions, the S&P/TSX has rebounded an average 19.7% from the market bottom to the economic bottom. And over the first six months of the following expansion, stocks have gained another 10.9% on average. We are much heartened by the many policy actions announced in recent weeks by governments around the world. We are confident that successful implementation of these programs will pave the way for economic recovery later this year. That said, we are still waiting for confirmation that these policies have traction. We need evidence that the Financial Stability Plan is working and that home-price deflation is finally abating before recommending an overweight position in equities. We accordingly reiterate our recommended neutral weighting. We continue to prefer U.S. stocks to Canadian. The U.S. indexes are more diversified by sector than the S&P/TSX, which is heavy in financials and resources.

In Canada, on the basis of our forecast S&P/TSX earnings of 700 for 2009, we reaffirm our year-end target of 9800, 4% above the current level.

**US Market Commentary**

Does the rally still have legs?  
The rally that began in early March continued through April. The Dow Jones Industrials index has registered six consecutive weeks of gains and the S&P/TSX an even longer winning streak. Moreover, the current rebound is led by Financials, which is historically a feature of end-of recession rallies. U.S. bank stocks have more than doubled in price from their early-March low. However, the climb has slowed in the last few weeks. Will this rally have legs? For the rally to continue, investors will have to see earnings returning to health. However, the International Monetary Fund believes that financial earnings face more hurdles in the coming months. Its recent Global Financial Stability report pegged the potential writedowns of financial institutions at \$4 trillion from 2007 to 2010. Some \$1.1 trillion of this amount is attributed to European banks. To restore balance sheets to their pre-crisis state - defined as tangible common equity equal to 4% of tangible assets - the IMF calculates that U.S. banks would need \$275 billion in capital injections and euro-zone banks \$375 billion. To reduce leverage to the mid-1990s ratio, U.S. banks would need to raise \$500 billion and euro-zone banks \$725 billion. This would imply more dilution for U.S. bank stocks.

Our year-end target for the S&P 500 is 1050, based on our earnings expectation of 62.

**Recent PI Research**

- Ag Growth Income Fund (T-AFN.UN)** \$29.06  
Strong Demand and Improved Efficiency Drives Strong Q1 FY09 Results (May 11)  
Rating: BUY; Target: \$33.50 ▲; Risk: ABOVE AVERAGE
- Great Canadian Gaming Corp. (T-GC)** \$5.15  
Q109 Results Reflect Effective Expense Management (May 12)  
Rating: BUY; Target: \$6.00 ; Risk: AVERAGE
- BioMS Medical Corp. (T-MS)** \$3.21  
BIOMS Q109 Results Essentially In-Line with Expectations (May 13)  
Rating: BUY; Target: \$5.25; Risk: SPECULATIVE
- WebTech Wireless Inc. (T-WEW)** \$1.63  
Return to Profitability (May 13)  
Rating: BUY; Target: \$1.90 ; Risk: SPECULATIVE
- Arcan Resources Ltd. (V-ARN)** \$1.05  
Mixed Results in Q109 (May 20)  
Rating: BUY; Target: \$1.55 ; Risk: SPECULATIVE
- Osisko Mining Corp. (T-OSK)** \$6.44  
Q1 Financial Results and Exploration Upside Showcase Canadian Malartic (May 21)  
Rating: BUY; Target: \$7.50 ▲; Risk: SPECULATIVE

## Bonds / Money Market

Pricing as of May 26, 2009	CDN	US
30 day Bankers' Acceptance	0.24%	0.09%
60 day Bankers' Acceptance	0.24%	0.01%
90 day Bankers' Acceptance	0.24%	0.02%
2 year Fed. Gov't Bond	1.22%	0.91%
3 year Fed. Gov't Bond	1.75%	1.45%
5 year Fed. Gov't Bond	2.42%	2.30%
10 year Fed. Gov't Bond	3.42%	3.55%
30 year Fed. Gov't Bond	4.08%	4.50%

### Quantitative easing left in the toolbox

At this stage, the upside for the economic outlook should be kept in mind. Monetary policy has been easy for some time and access to credit in Canada remains easier than in other advanced economies. Fiscal policy will kick in before year end. And market sentiment could change significantly once action is taken to repair financial system weakness. Even the Bank of Canada agrees that these factors could make the recovery stronger than projected. If events unfold that way, long rates will react accordingly. In such a scenario, either the BoC will revise its policy stance or the correlation between policy rate and long rate would simply vanish for a while. Our own forecast is that the economy will recover gradually in the second half of the year.

Excerpt from NBF Visions – May, 2009

## PI's Q209 Top Picks

**Allon Therapeutics Inc.** (T-NPC) \$0.45  
Recommendation: BUY; Target: \$1.50

**Arcan Resources Ltd.** (V-ARN) \$1.05  
Recommendation: BUY; Target: \$1.55

**Capstone Mining Corp.** (T-CS) \$2.14  
Recommendation: BUY; Target: \$3.00

**Cervus Limited Partnership** (V-CVL.UN) \$11.00  
Recommendation: BUY; Target: \$22.00

**Liquor Stores Income Fund** (T-LIQ.UN) \$14.20  
Recommendation: BUY; Target: \$16.00

**Peer 1 Networks Inc.** (T-PIX) \$1.15  
Recommendation: BUY; Target: \$1.75

Pricing as of May 26, 2009

## NBF Top Picks

Security/Symbol	May 22	Target
Thompson Creek Metals (TCM)	\$9.68	\$11.00
Celtic Exploration Ltd. (CLT)	\$15.65	\$19.00
Astral Media (ACM.a)	\$30.08	\$37.50
BCE (BCE)	\$23.91	\$29.00
Rogers Comm. (RCI.b)	\$31.34	\$35.00
Canadian Tire (CTC.a)	\$48.19	\$55.00
WestJest Airlines Ltd. (WJA)	\$12.48	\$16.00

As of May 25, 2009

## Latest NBF Research

**Sabertooth Energy Ltd.** (T-SAB) \$1.33  
SAB Announces Reverse Take-Over (May 26)  
Recommendation: Underperform;  
Target: \$0.30 ▲; Risk: Speculative

**Vecima Networks Inc.** (T-VCM) \$4.59  
Very Important Catalyst Achieved (May 26)  
Recommendation: Outperform ▲;  
Target: \$7.00 ▲; Risk: Above Average

**Timminco Ltd.** (T-TIM) \$1.57  
Lower Contract Volumes with Delayed Repayments (May 26)  
Recommendation: Underperform;  
Target: \$1.50; Risk: Speculative

**RuggedCom Inc.** (T-RCM) \$25.10  
A Stock You Want to Own Long-Term (May 26)  
Recommendation: Sector Perform;  
Target: \$29.00 ▲; Risk: Above Average

## Economic Commentary

### Canada: When will the bleeding stop?

The global recession continues to take its toll on Canada in the first half of 2009. Government and central bank initiatives have helped keep credit flowing more freely than in the economies of our trading partners, but dependence on U.S. demand limits what can be achieved by domestic policy. Credit availability and a significant decline in mortgage rates over the last year are providing support to the housing market. The Canadian Real Estate Association reports that sales of existing homes increased 8.5% in February, the first monthly increase since September and the largest since March 2004. We are encouraged by the crosscountry breadth of February's increase - gains in seven provinces. Home sales have conceivably been stimulated by a decline of mortgage rates. Is this a first sign that Canadian monetary policy is gaining traction? Perhaps, even if only enough to brake the decline of domestic demand.

Our forecast for Canadian GDP in 2009 is virtually unchanged this month: a contraction of 1.5%. We still expect GDP to contract at an annual rate of more than 5% in Q1, but believe that the very substantial response of governments and the central bank, combined with the comprehensive program recently announced in the U.S., will be enough to return the Canadian economy to growth as early as the third quarter of this year.

Excerpt from NBF Visions – May, 2009

**Canadian Pacific Railway Ltd.** (T-CP/N-CP) \$43.73/US\$39.03  
Q2 Volumes Continue to Show Weakness - No Signs of a Turnaround (May 26)  
Recommendation: Sector Perform;  
Target: \$40.00 ; Risk: Average

**BTB REIT** (V-BTB.UN) \$0.55  
Q1 2009 - Below Expectations (May 26)  
Recommendation: Underperform ;  
Target: \$0.25 ▼; Risk: Above Average

Pricing as of May 26, 2009

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