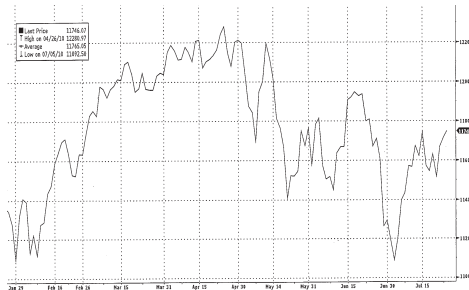




## MONTHLY PERSPECTIVES Aug 2010

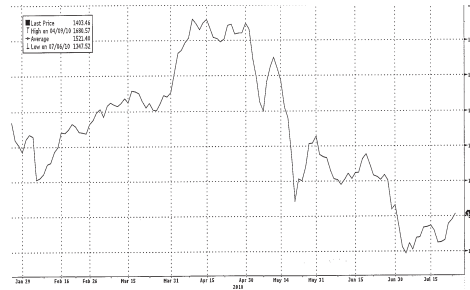
Data for charts as of trading close Jul 26, 2010

### S&P / TSX



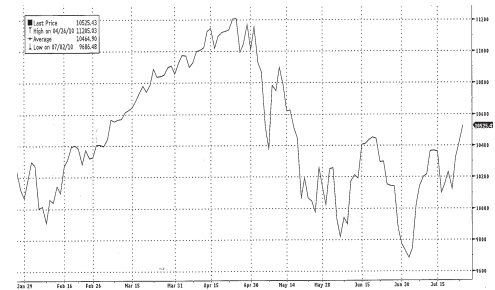
**11,746.10**      0.33% month change

### TSXV



**1,403.46**      -3.79% month change

### DJIA



**10,525.40**      3.76% month change

## Market Indices

Financials	Jul 26	30-day net change	Commodities	Jul 26	30-day net change	Markets	Jul 26	30-day % change
3 Month T-Bill	0.67%	0.11	Canadian \$ (US¢)	96.87	0.49¢	S&P 500	1,115.01	3.55
Long Bond CDN	3.77%	0.09	Gold (US)	\$1,183.10	-72.70	FT-SE (U.K.)	5,351.12	6.04
3 Month US-TBill	0.15%	0.02	Crude Oil (US)	\$78.98	0.12	Nikkei (Tokyo)	9,503.66	-2.40
Long Bond US	4.02%	-0.04	Silver (US)	\$18.20	-0.91	Hang Seng (H.Kong)	20,839.91	0.72
Bank Rate	1.00%	0.25	Copper (US)	\$3.23	0.13	Bolsa (Mexico)	32,958.89	1.08
Prime Rate	2.75%	0.25	CRB Index	266.66	1.05	DAX Index (Germany)	6,194.21	2.04
PI Cash Account	0.01%	0.00	Lumber (US)	\$208.00	19.10	CAC-40 (France)	3,636.18	3.31

## Market Commentary

### A double dip? Not in our view

At midyear, the questions we asked six months ago remain pertinent. Probably one of the most important on many investors' minds is whether the economy will double-dip. At this point in the economic cycle we see no second dip on the horizon, in North America or globally. Those who attach a high probability to a double-dip scenario have generally been arguing consumer deleveraging, credit market weakness and lack of employment growth. We challenge this view. First, consumer deleveraging does not necessarily mean that consumer spending will contract. If the wage bill is growing, consumption can grow despite deleveraging. This is exactly what is happening in the U.S. at this point. Second, consumer credit growth is not a reliable predictor, because it lags consumption and the wage bill. This is most obvious in an economic recovery. On the employment front we expect continued progress. The U.S. labour market is improving. The household survey shows a gain of 1.6 million jobs since December 2009. The payroll survey shows a gain of 982,000, including 495,000 in the private sector. We expect a pickup of momentum in the second half of the year, given the quickening pulse of U.S. business at this early stage of the cycle.

In addition to the compatibility of consumer spending growth with household deleveraging, one of the most important factors in the sustainability of this recovery is the strength of corporate earnings. U.S. national-accounts profits are now down only 6.9% from the pre-recession peak. At the profits bottom of Q4 2008, they were down 47.4%. If earnings for Q2 2010 are as good as they promise, they will go far to calm investor fears about the economy, especially if earnings growth is accompanied by sales growth. Indicators from U.S. manufacturing suggest that it will be. Factory output was up a robust 0.9% in May. After a soft patch early in the year, it has expanded at 12% annually in the last three months. Also encouraging is a 12-month rise of 6% in the producer price index for manufacturing. Our proxy for the aggregate top line of U.S. manufacturing, combining PPI with volume sales, has been expanding at 15.6% annually in Q2. Its 12-month rise is the steepest in 24 years. These indicators suggest that the S&P 500 companies could beat the current consensus expectation of 10% revenue growth in Q2. In sum, the features of the current economic landscape – unusually high profitability, increased investment, a need to rebuild inventories, an improving labour market – are inconsistent with a double-dip. Failing a major shock, pro-cyclical forces will dominate.

## Recent PI Research

**Premium Brands Holdings Corp.** (T-PBH) \$12.85  
With Acquisition PBH Enters Eastern Canada (Jul 6)  
Rating: BUY; Target: \$16.25; Risk: AVERAGE

**Viterra Inc.** (T-VT) \$7.89  
Feeding a Hungry Planet (Jul 6) - Initiating  
Rating: BUY; Target: \$10.50; Risk: AVERAGE

**Arcan Resources Ltd.** (V-ARN) \$5.02  
Strong Swan Hills Test Results Continue and Land Sales Signal Increased Activity in the Area (Jul 9)  
Rating: BUY; Target: \$7.30;  
Risk: ABOVE AVERAGE

**TransGaming Inc.** (V-TNG) \$0.55  
New Target Price Based on First MSO (Jul 20)  
Rating: BUY; Target: \$1.40 ▲;  
Risk: SPECULATIVE

**Air Canada** (T-AC.A; T-AC.B) \$2.46  
New Financing Leads Into Q2 (Jul 21)  
Rating: BUY; Target: \$4.75 ▲; Risk: SPECULATIVE

**Antares Minerals Ltd.** (V-ANM) \$2.59  
Haqira PEA Outlines Extremely Robust Copper Project in Southern Peru (Jul 23)  
Rating: BUY; Target: \$5.50 ▲;  
Risk: SPECULATIVE

## Bonds / Money Market

Pricing as of Jul 26, 2010	CDN	US
30 day Bankers' Acceptance	0.75%	0.18%
60 day Bankers' Acceptance	0.78%	0.20%
90 day Bankers' Acceptance	0.83%	0.29%
2 year Fed. Gov't Bond	1.60%	0.59%
3 year Fed. Gov't Bond	1.89%	0.95%
5 year Fed. Gov't Bond	2.44%	1.73%
10 year Fed. Gov't Bond	3.22%	2.99%
30 year Fed. Gov't Bond	3.77%	4.02%

### BoC expected to proceed in its interest-rate normalization

Canada was the last of the G 7 countries to enter recession, and the contraction of its real GDP was among the smallest. By now, the Canadian economy is much farther advanced in the cycle than the U.S. or the euro zone. The Bank was keen to point out that monetary policy remains quite accommodative and that the pace at which it will normalize rates will be influenced by domestic and international factors. Provided that the European situation does not deteriorate and shows no significant financial spillover to Canada, we expect the BoC to proceed without pause in its interest-rate normalization. For 2011 our economic forecast is less supportive. We anticipate that Canadian GDP growth will slow from a strong 3.6% in 2010 to 2.1% in 2011.

Excerpt from NBF Visions – Jul 2010

## PI's Q310 Top Picks

<b>Air Canada</b> (T-AC.B; T-AC.A) \$2.46 Recommendation: BUY; Target: \$4.75
<b>Antares Minerals Inc.</b> (V-ANM) \$2.59 Recommendation: BUY; Target: \$5.50
<b>Arcan Resources Ltd.</b> (V-ARN) \$5.02 Recommendation: BUY; Target: \$7.30
<b>Parkland Income Fund</b> (T-PKI.UN) \$10.66 Recommendation: BUY; Target: \$14.50
<b>Pure Technologies Ltd.</b> (V-PUR) \$4.37 Recommendation: BUY; Target: \$5.50
<b>SunOpta Inc.</b> (T-SOY; Q-STKL) US\$5.10 Recommendation: BUY; Target: US\$7.00
<b>TransGaming Inc.</b> (V-TNG) \$0.55 Recommendation: BUY; Target: \$1.40

Pricing, rating and target as of Jul 26, 2010

## New Issues

The following are the current new issues still available for purchase, please contact your Investment Advisor if you wish to purchase these new issues or for more information.

### Antioquia Gold Inc.

Price: \$0.22 per unit

Closing: TBD

### Brasoil Exploration Corp.

Price: \$10.00 to \$12.00 per unit

Closing: Aug 9, 2010

### Canbanc Income Fund

Price: \$10.00 per unit

Closing: Mid-Aug, 2010

### Timbercreek Global Real Estate Fund

Price: \$12.00 per unit

Closing: Mid-Aug, 2010

## Economic Commentary

### Canada: In a class apart

Canada's economic growth is currently the strongest in the G 7. Domestic demand has passed the pre-recession peak and is now in an expansion phase. At this rate, excess capacity will be absorbed within two or three quarters. The Canadian expansion is likely to remain strong through the rest of this year and then slow next year in response to U.S. fiscal austerity. Canadian growth can be expected to slow next year as U.S. fiscal austerity crimps demand for Canadian exports. But Canadian domestic demand will probably remain strong. Consumer spending and homebuilding are likely to slow but capital spending on machinery and equipment has good reason to accelerate briskly, since strong earnings growth will allow Canadian companies to meet the challenge of catching up to U.S. productivity gains.

Excerpt from NBF Visions – Jul 2010

## NBF Action List

Security/Symbol	Jul 26	Target
5 N Plus Inc. (VNP)	\$5.31	\$7.25
Advantage Oil and Gas Ltd. (AAV)	\$6.68	\$9.00
Atrium Innovations Inc. (ATB)	\$16.51	\$20.50
Bridgewater Systems Corp (BWC)	\$8.82	\$13.00
Calfrac Well Services (CFW)	\$23.35	\$29.00
Fortis Inc. (FTS)	\$28.80	\$32.00
Keyera Facilities IF (KEY.UN)	\$28.71	\$30.00
Mainstreet Equity Corp. (MEQ)	\$10.50	\$13.75
SNC-Lavalin Inc. (SNC)	\$46.43	\$58.00
Suncor Energy Inc (SU)	\$33.38	\$44.00
Transcontinental Group Ltd. (TCLA)	\$14.83	\$18.50
Verizon (VZ)	US\$28.02	US\$35.00

As of Jul 26, 2010

## Latest NBF Research

<b>Kinross Gold</b> (T-K; N-KGC) \$16.69/US\$16.18 Sells Diavik interest and equity interest in HW (Jul 26) Recommendation: Sector Perform; Target: US\$21.00; Risk: Above Average
<b>Harry Winston Diamond Corp.</b> (T-HW; Q-HWD) \$12.67/US\$12.30 Increases interest in Diavik (Jul 26) Recommendation: Sector Perform; Target: US\$14.00; Risk: Above Average
<b>Verizon Communications Inc.</b> (N-VZ) US\$28.28 Best Positioned for 2011 and Beyond (Jul 26) Recommendation: Outperform; Target: US\$35.00; Risk: Average
<b>The Mosaic Company</b> (N-MOS) US\$46.19 Q4 light on revenues; All eyes on South Meade next week (Jul 23) Recommendation: Outperform; Target: US\$67.00; Risk: Above Average

Pricing as of Jul 26, 2010

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