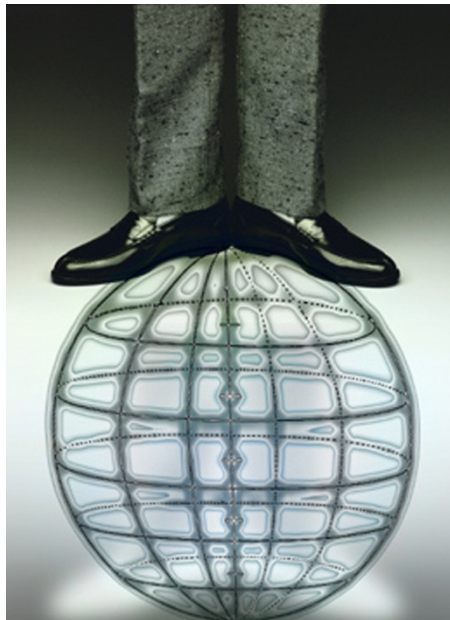


Market Overview - The World Now

Dave Simpson, VP Investment Advisor



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One Year Ago.....

- **Crisis erupted in the Summer/Fall 08. Money market frozen.**
- **Policy initiatives considered insufficient to contain the financial crisis**
- **Falling interest rates**
- **AIG, Bear Sterns, Lehman Brothers**
- **US and Global recession**
- **Falling housing prices**

What retirement was going to look like



A picture of what retirement looks like now for approx.
\$300K USD



Shape of the Recovery - exploring the terms

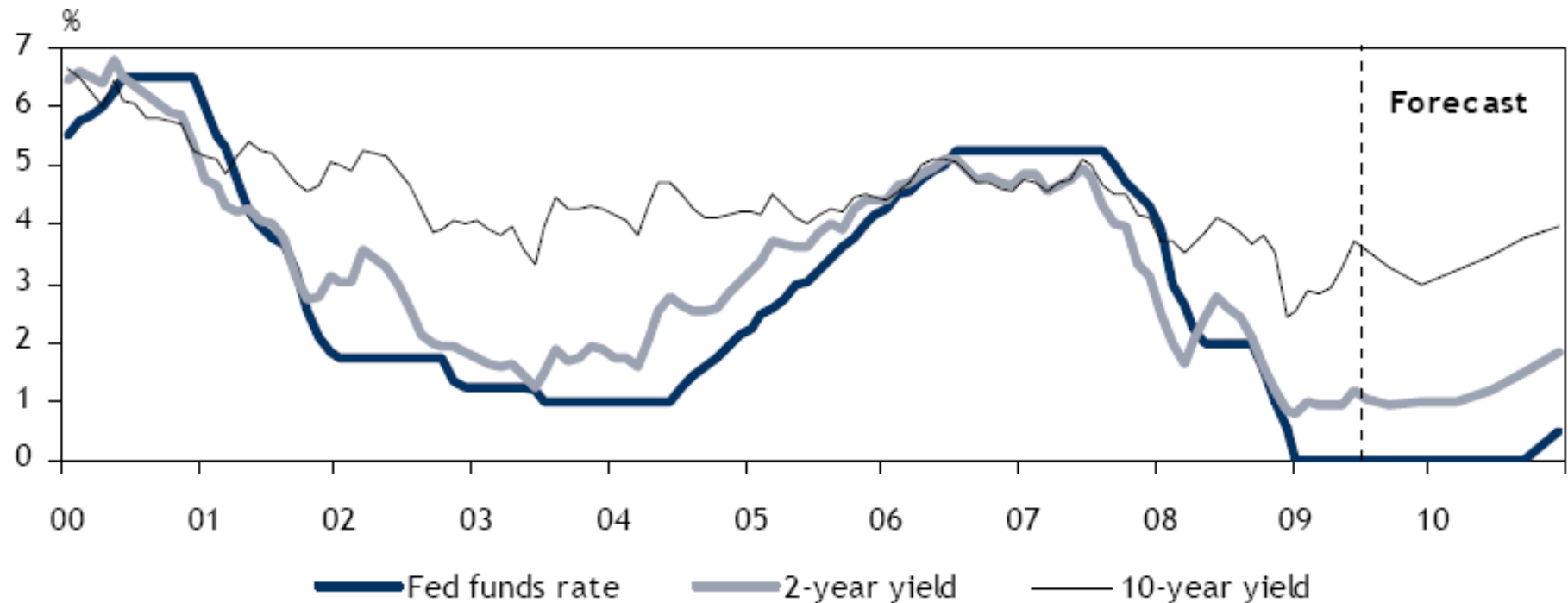
- **V** – Market is Pricing in this Recovery
- **W** – Double Dip Could Precipitate a Correction
- **U** – Unlikely, but Very Negative for Equities
- **√** – Duration of the Pause is Key
- **L** – Policy makers have fought this off

Primary Issues in the Market

➤ **The View – Bullish Anticipating a “V” Recovery**

- Re-flation: Monetary & Fiscal Stimulus Providing the Fuel
- Growing Evidence of a nascent U.S. Recovery
- Growth ex – U.S. (specifically China) more robust. World is in the midst of a powerful recovery, led by China, India and other countries

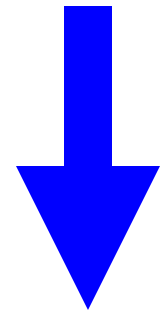
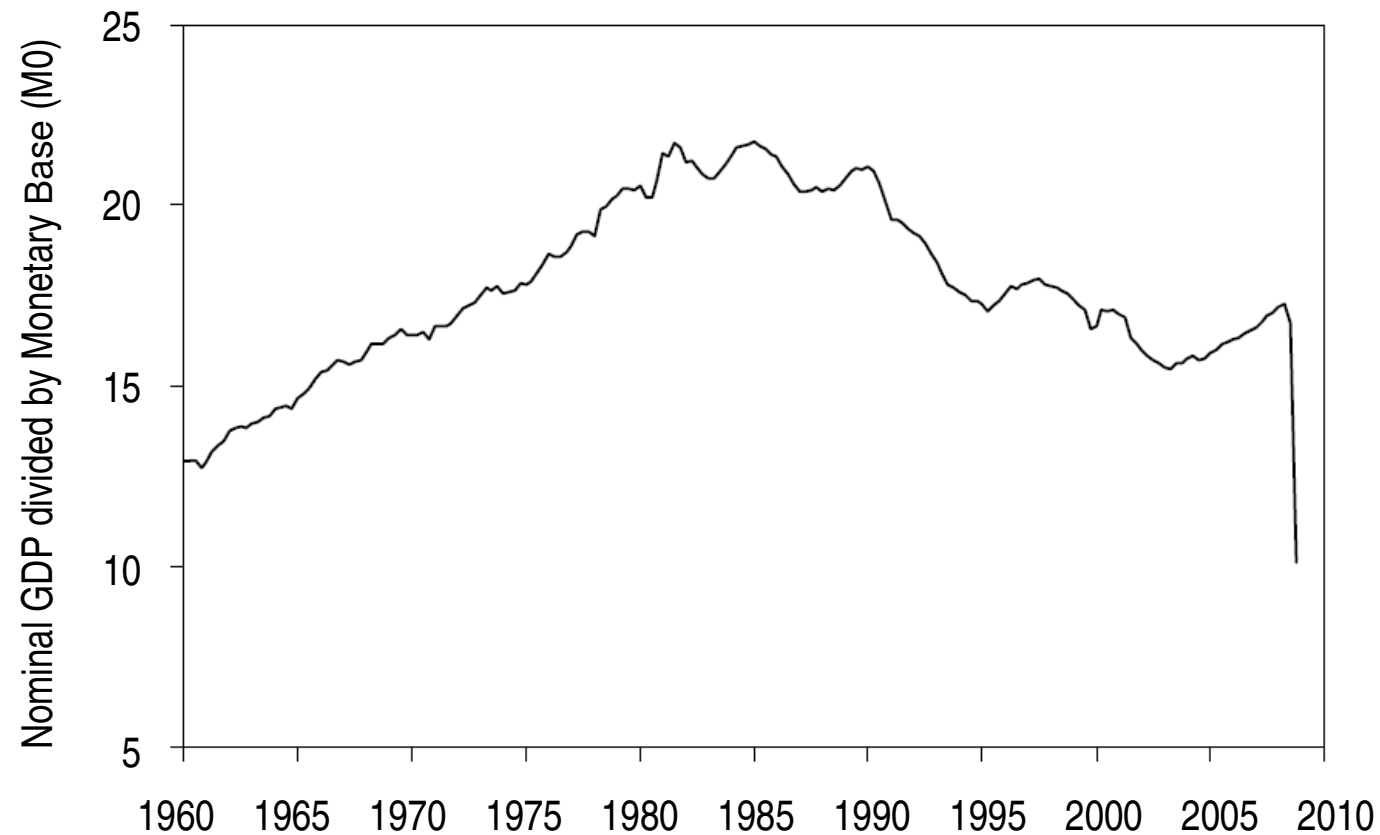
The Fuel – Low Interest Rates – Will Remain in Place...



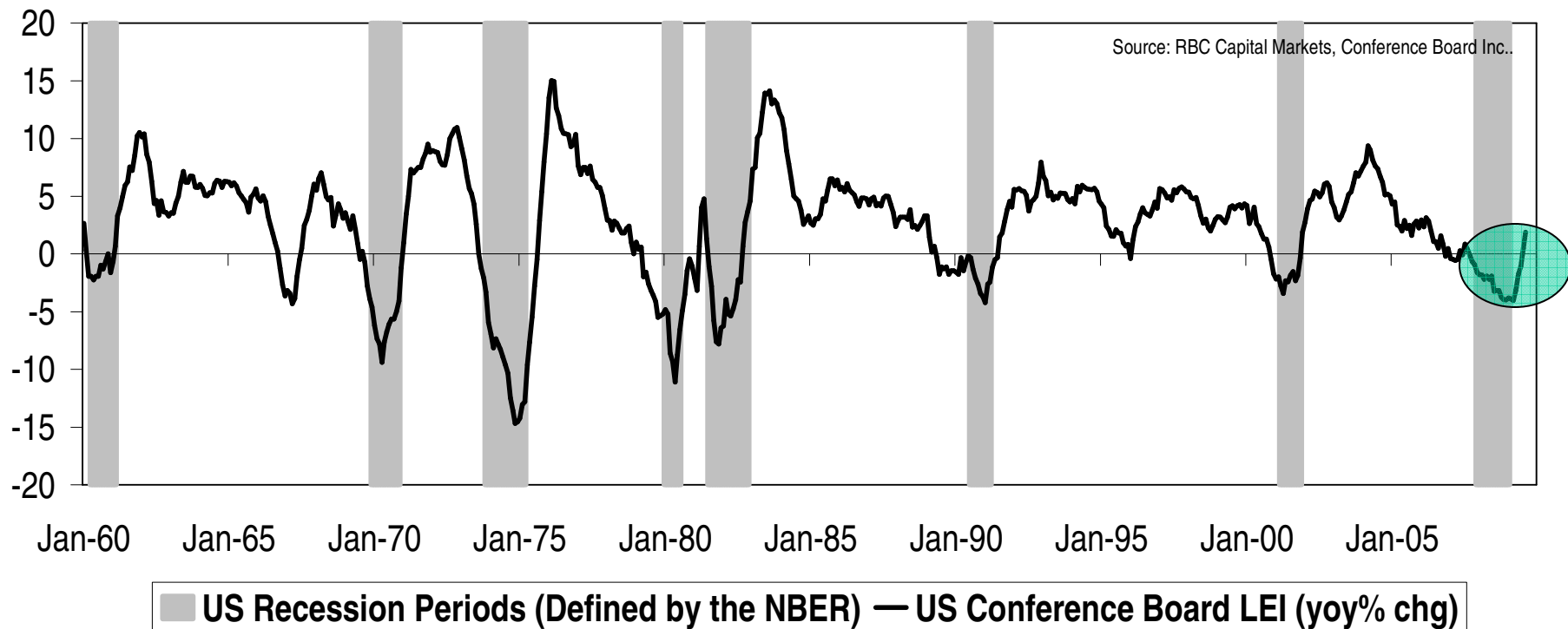
Source: Federal Reserve Board, RBC Economics Research

...As Policy Makers Try to Reflate the Economy

Money Velocity



Leading Indicators Have Turned Up



And Don't Forget the Upcoming Fiscal Stimulus

Country	Package Size	%GDP
United-States	\$787 billion	5.5%
China	\$586 billion	14.0%
Europe	\$260 billion	1.5%
Japan	\$85 billion	1.7%
United Kingdom	\$50 billion	2.5%
Canada	\$34 billion	2.0%
India	\$26 billion	2.4%
Total:	\$2.3 trillion	2.8%

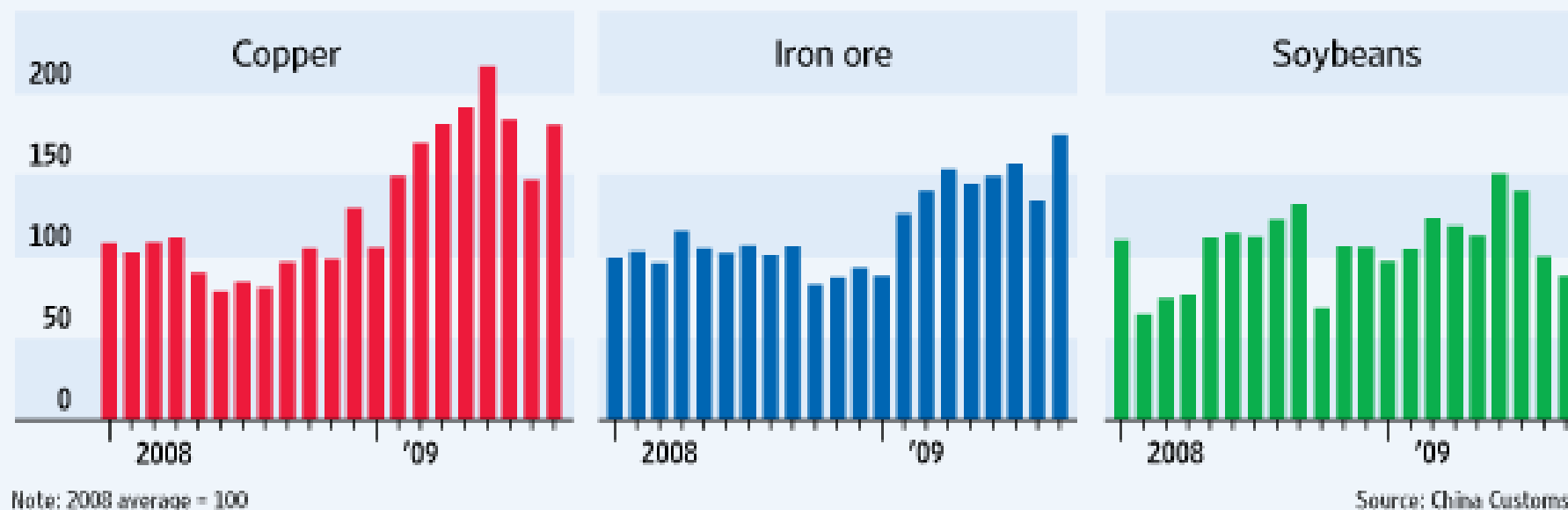
(Many) Reasons to be Bullish on Growth ex- the U.S.

Asia's production tracking a strong "V" – shaped recovery



China's Appetite for Commodities has Returned

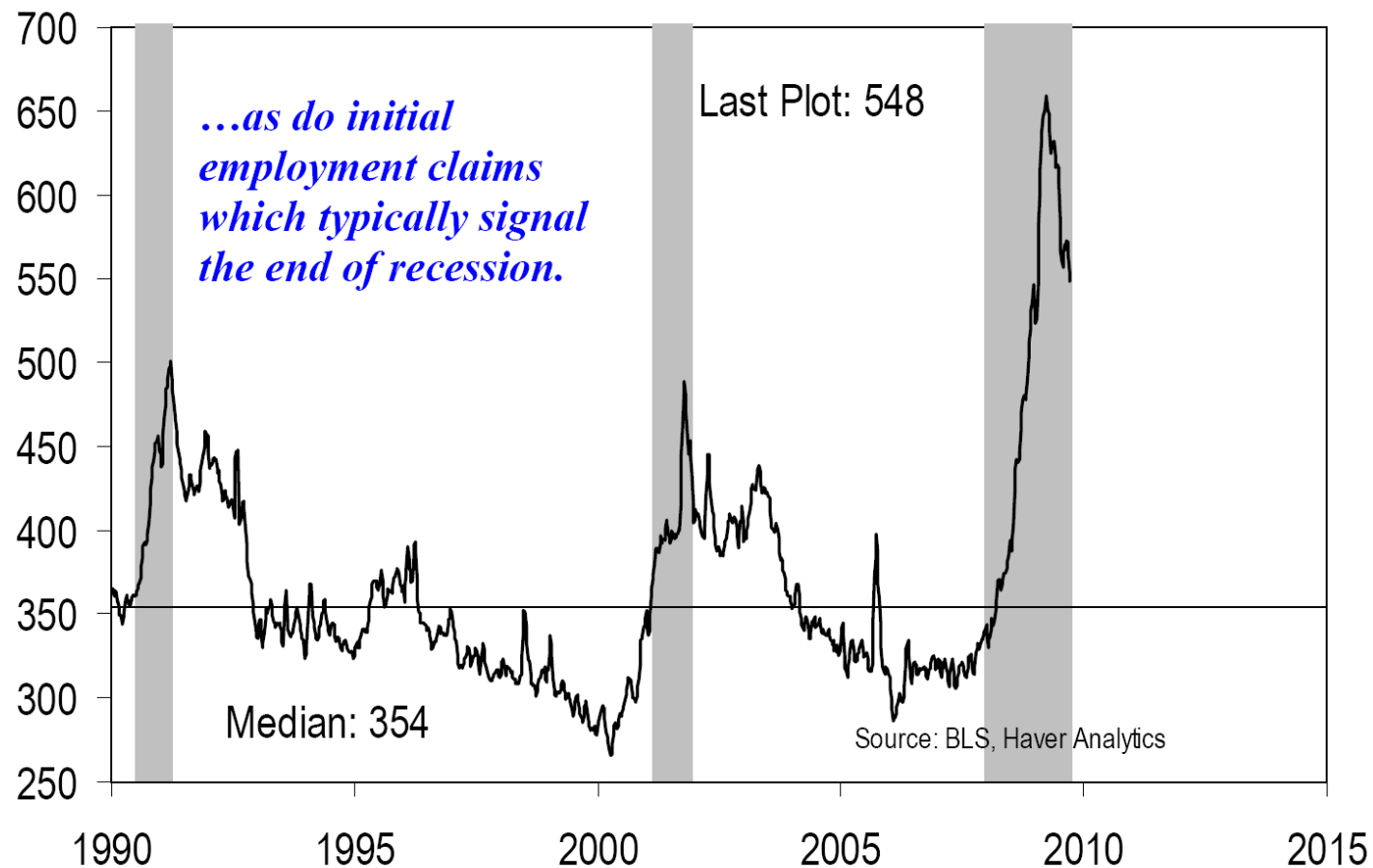
Back to Earth? | Volume of China's monthly commodity imports



Job Losses in the U.S. are Still Coming...

U.S. Initial Unemployment Claims Filed

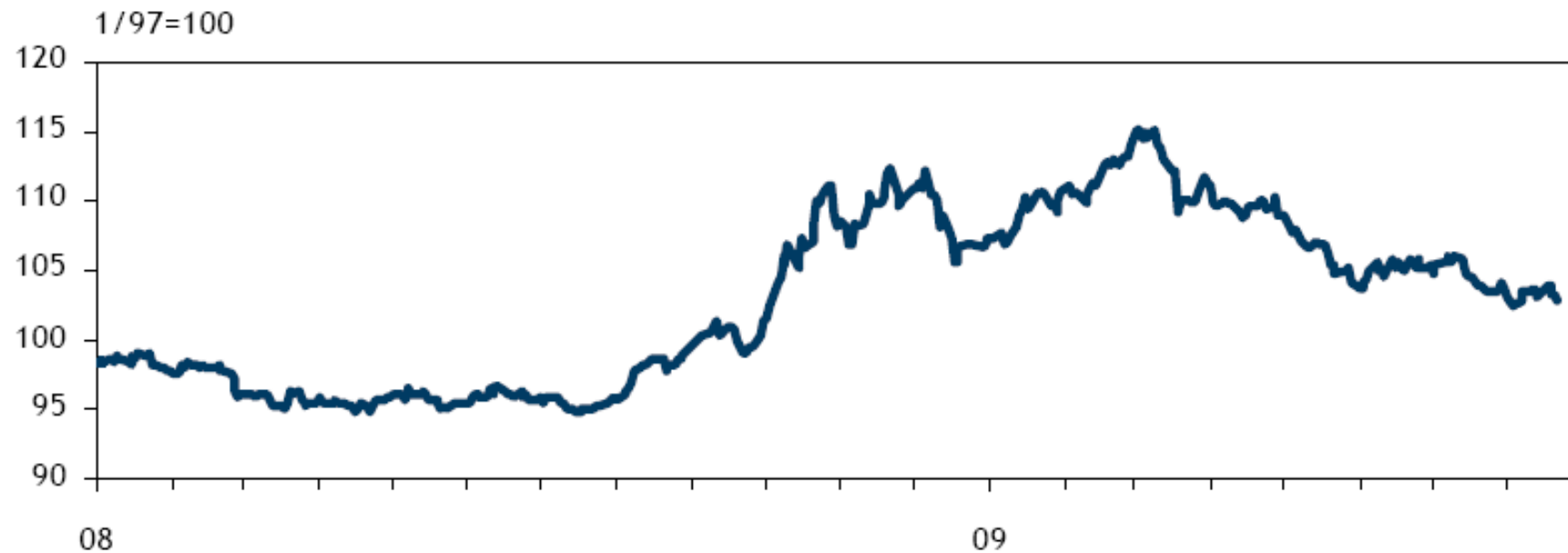
Four Week Moving Average



Currency



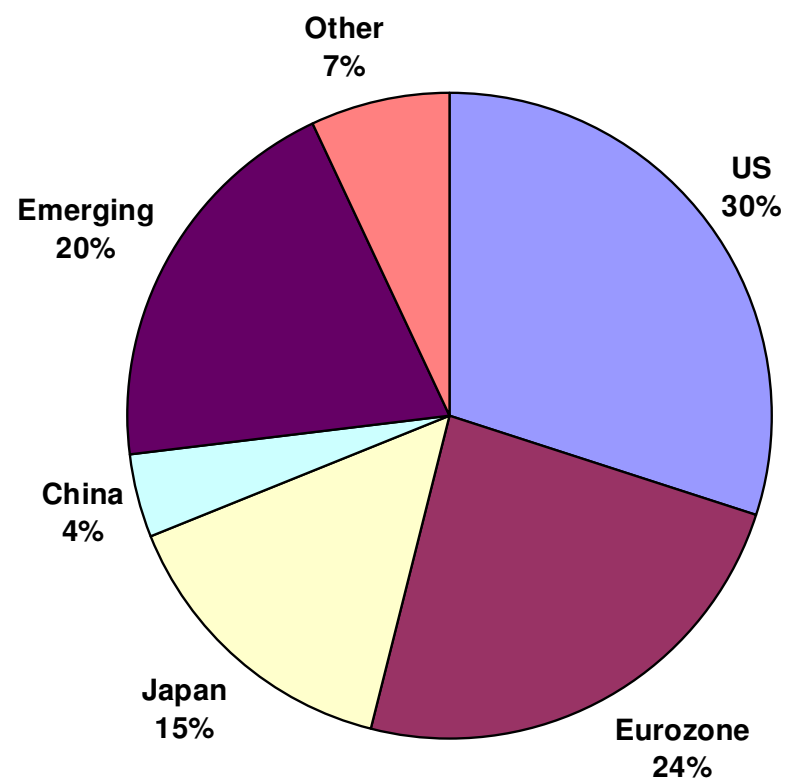
Decline of the U.S. Dollar Must be Gradual



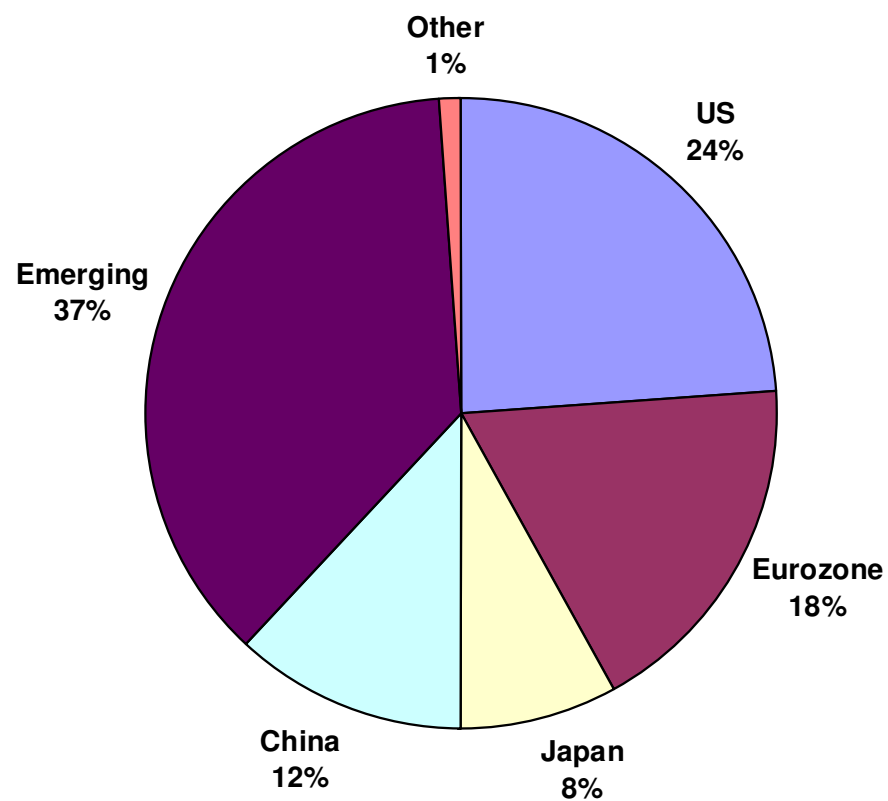
Source: Federal Reserve Board, RBC Economics Research

The times they are a-changin'

2000

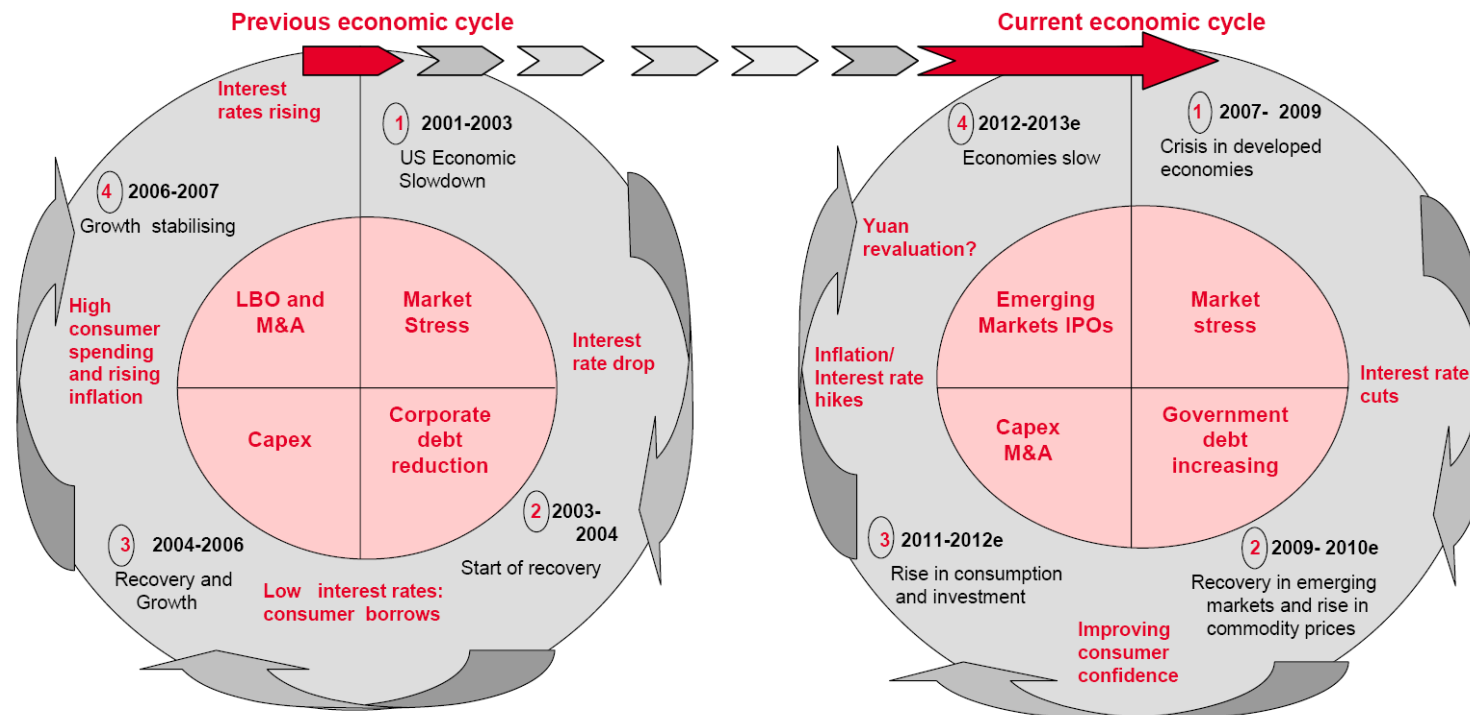


2014



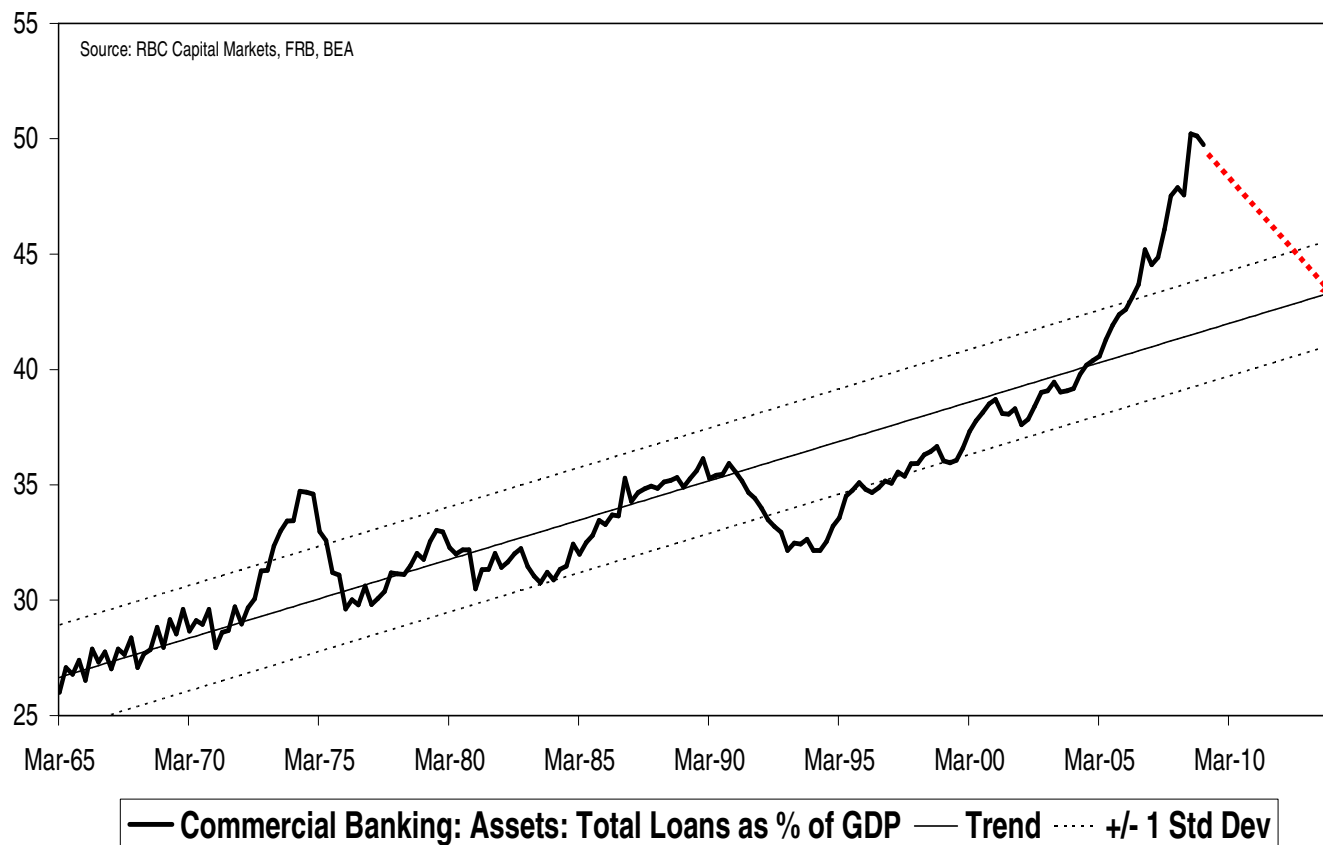
The times they are a-changin'

Market Cycles



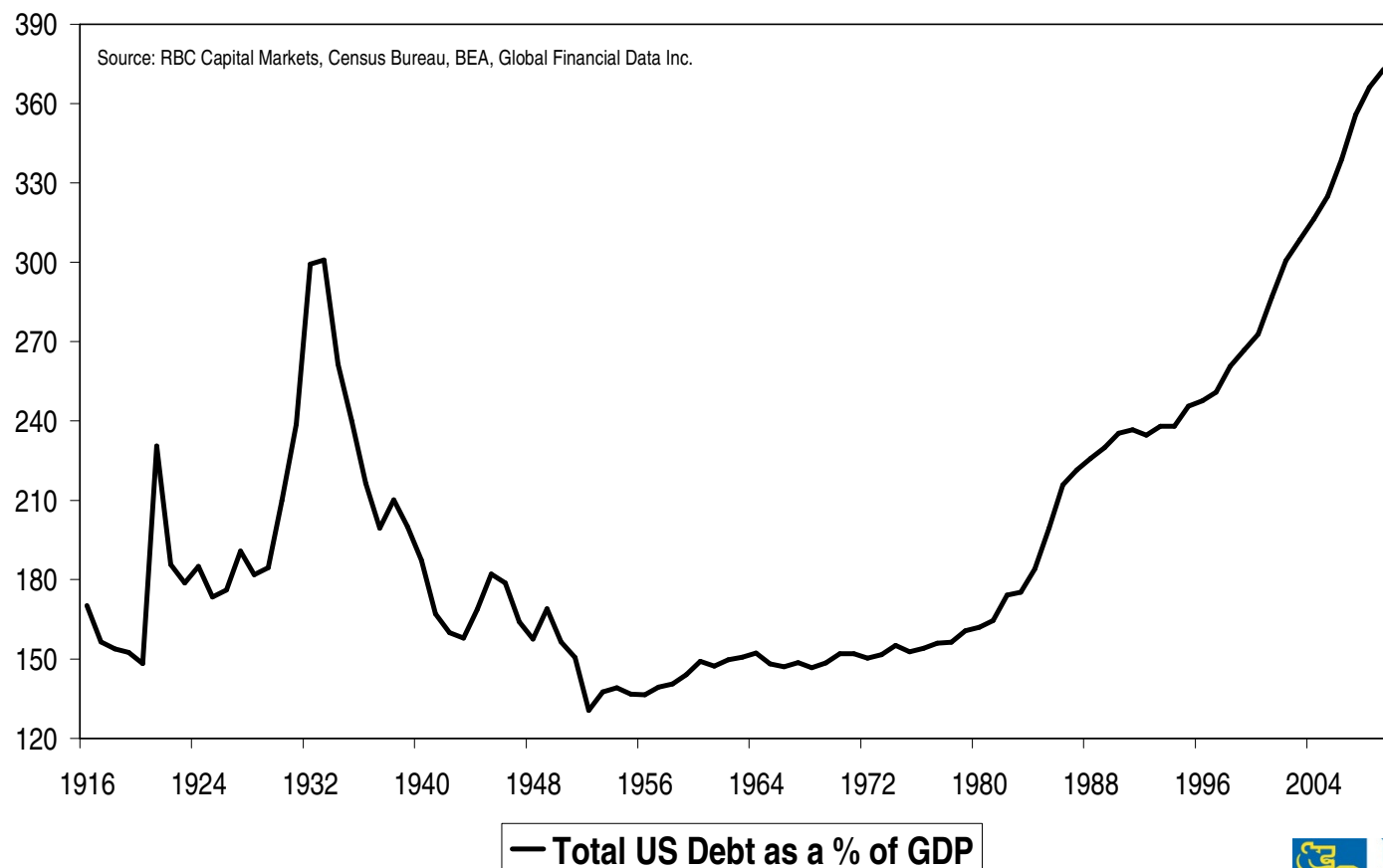
If your time to you is worth savin' ... the times they are a-changin'

Banks to Lend Less



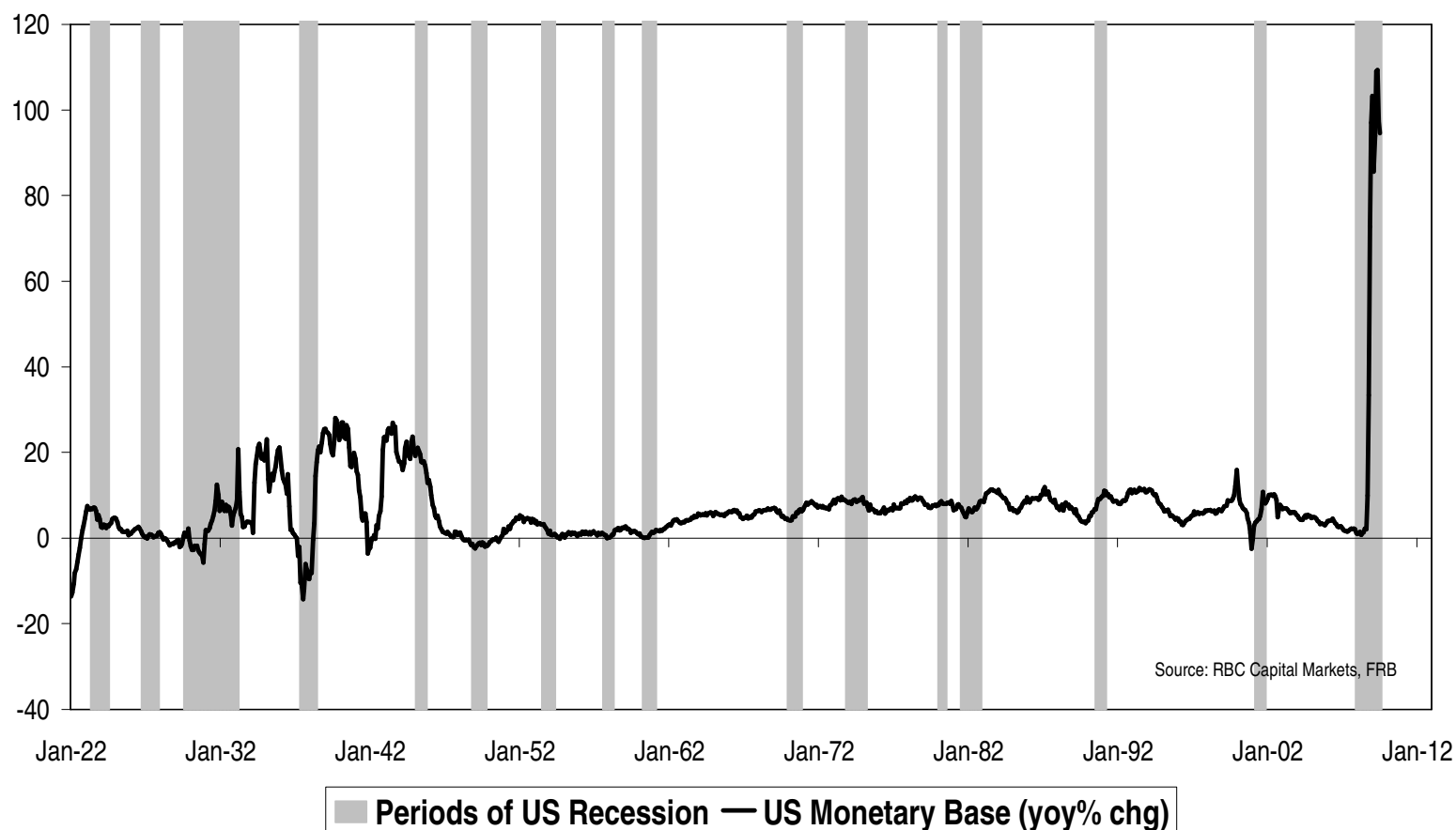
It'll soon shake your windows and rattle your walls ... for the times they are a-changin'

Debt Boldly Going Where no Debt has Gone Before



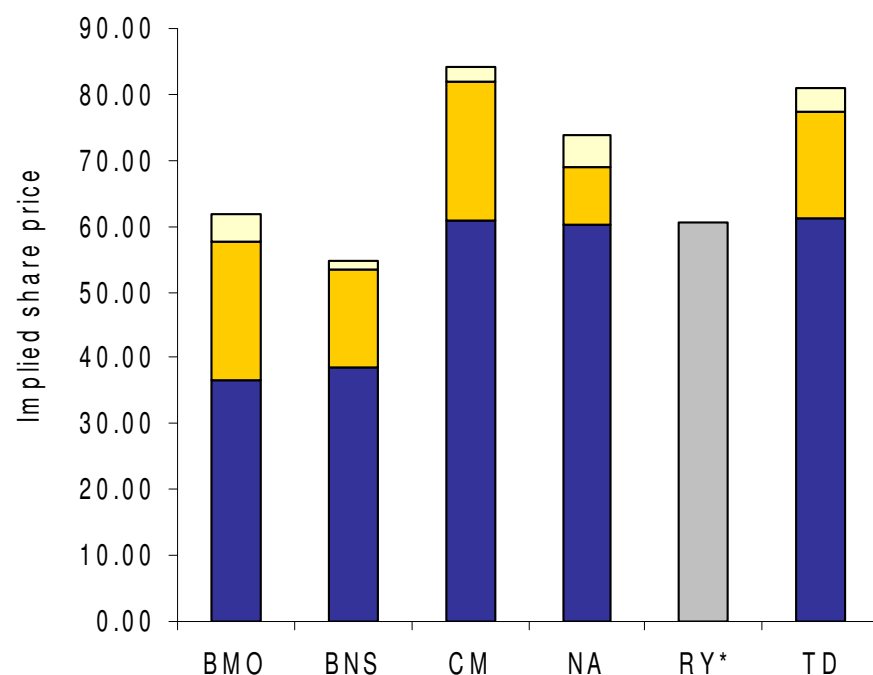
Come senators, congressmen, please heed the call ... for the times they are a-changin'

With Unprecedented Actions to Stem the Tide



Banks

Normalized EPS View



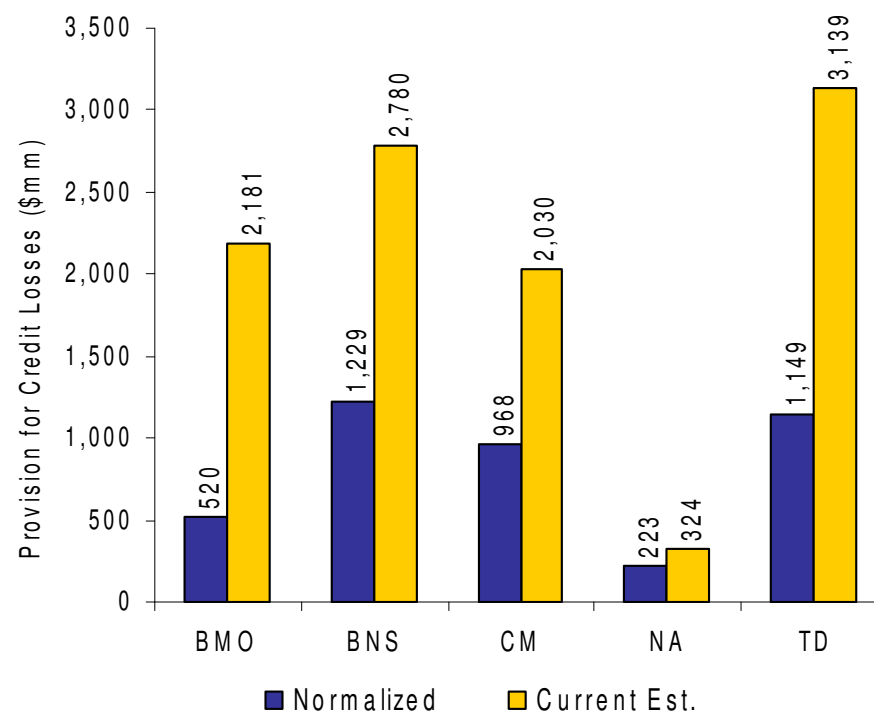
Target P/E	11.0x	12.0x	10.5x	11.5x	n/a	12.5x
RBCCM PT	62.00	54.00	84.00	74.00	62.00	81.00
Price Oct 15	52.53	46.97	65.36	58.94	55.96	65.90

■ Based on 2010E EPS ■ Normalized adj. ■ Excess capital adj.

Sources: RBC CM, Bloomberg

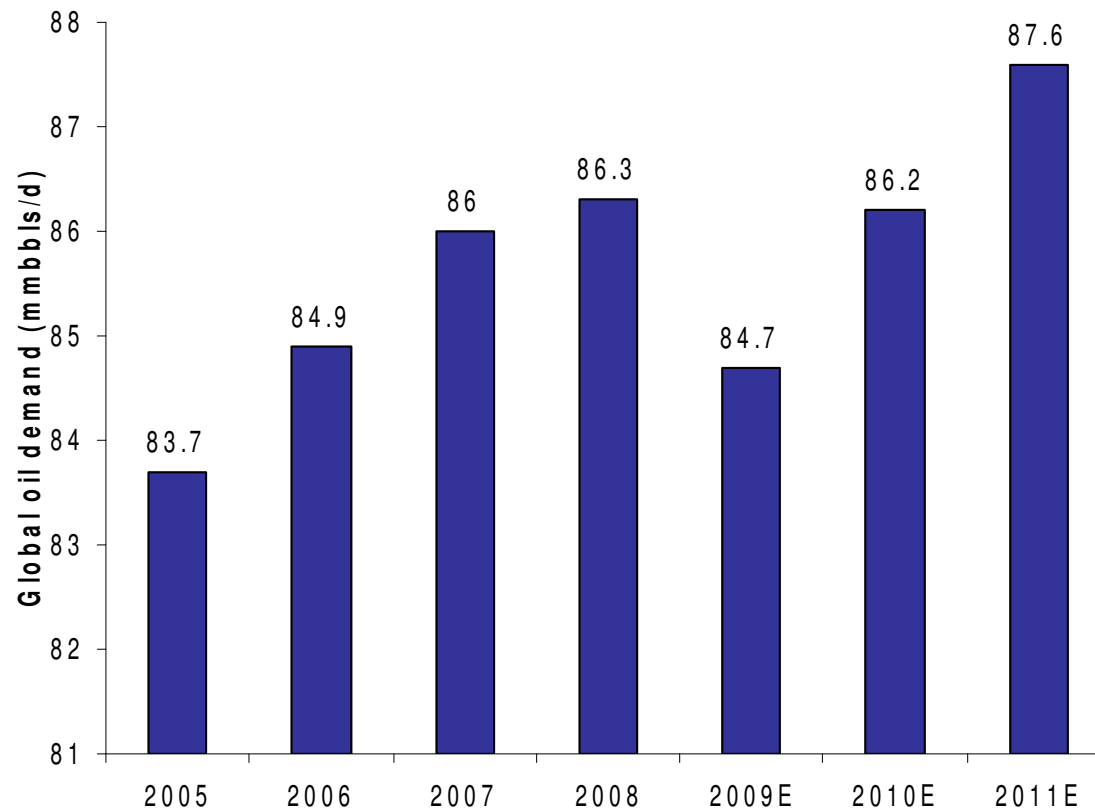
*Median price target based on a survey of 12 analysts

Provision for Credit Losses



Oil Outlook

Global Oil Demand Outlook

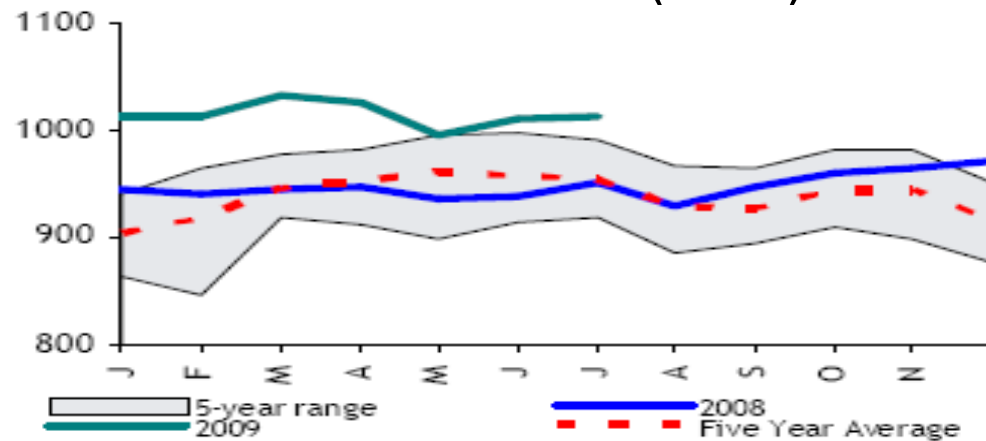


Source: RBC CM

- Demand recovery key to market fundamentals
- RBC CM forecast predicated on global GDP growth breaking through 3.0%
- EIA 2010 demand forecast 86.1 mmbbl/d

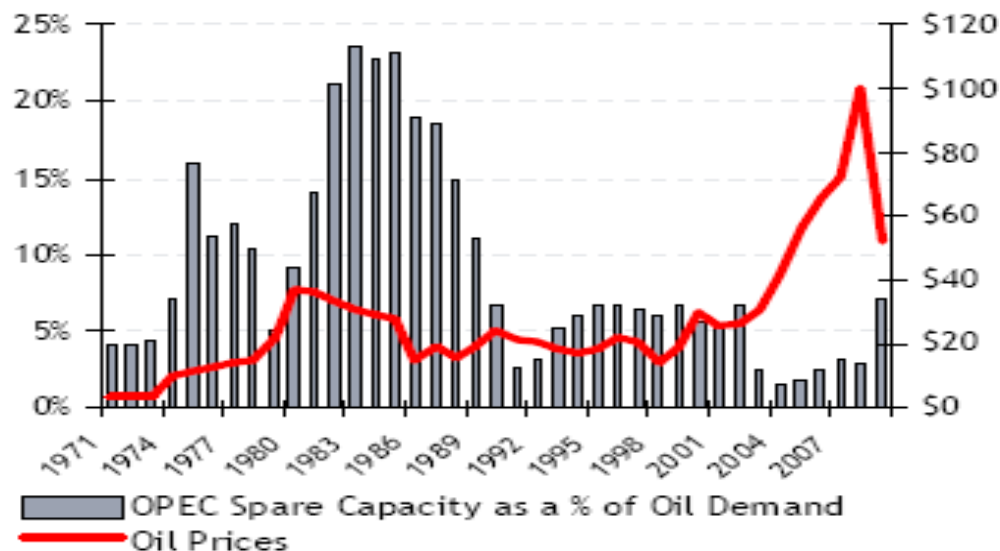
Oil Outlook

OECD Oil Inventories (kbbbl)



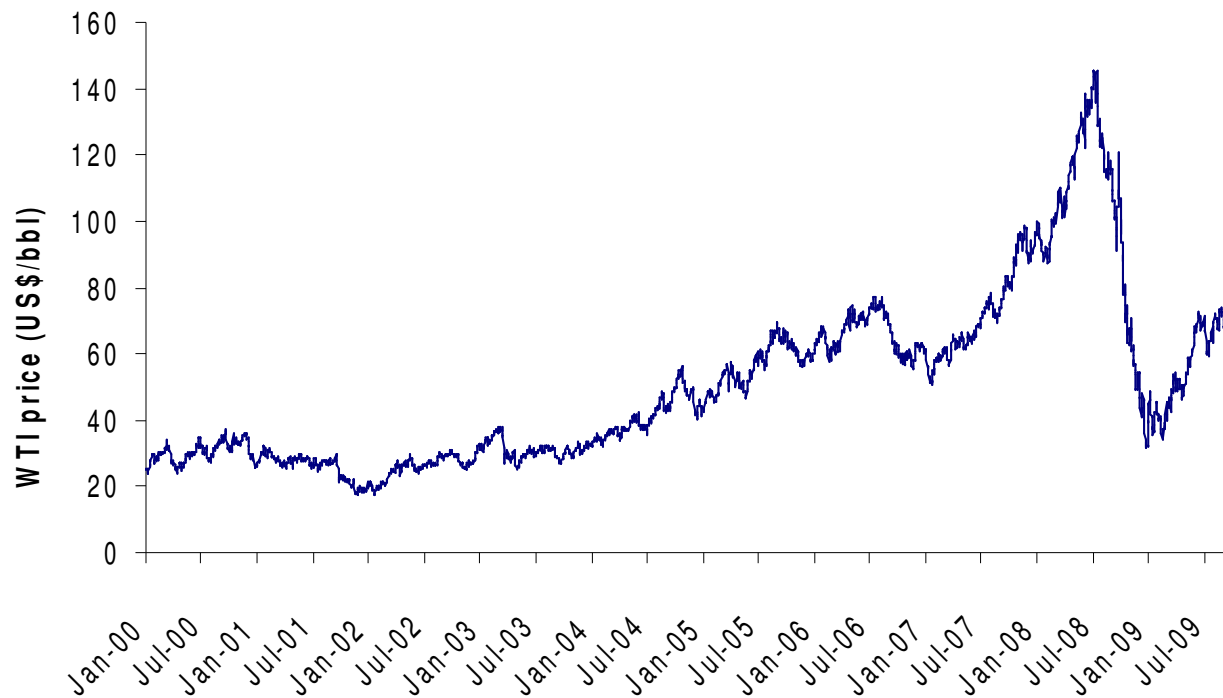
- Crude inventories above 5-year average levels
- Percent OPEC spare capacity near levels seen in late 90's and early 2000's

OPEC Spare Capacity



Oil Outlook

WTI Oil Price



➤ RBC CM outlook

➤ 2009E \$60.50

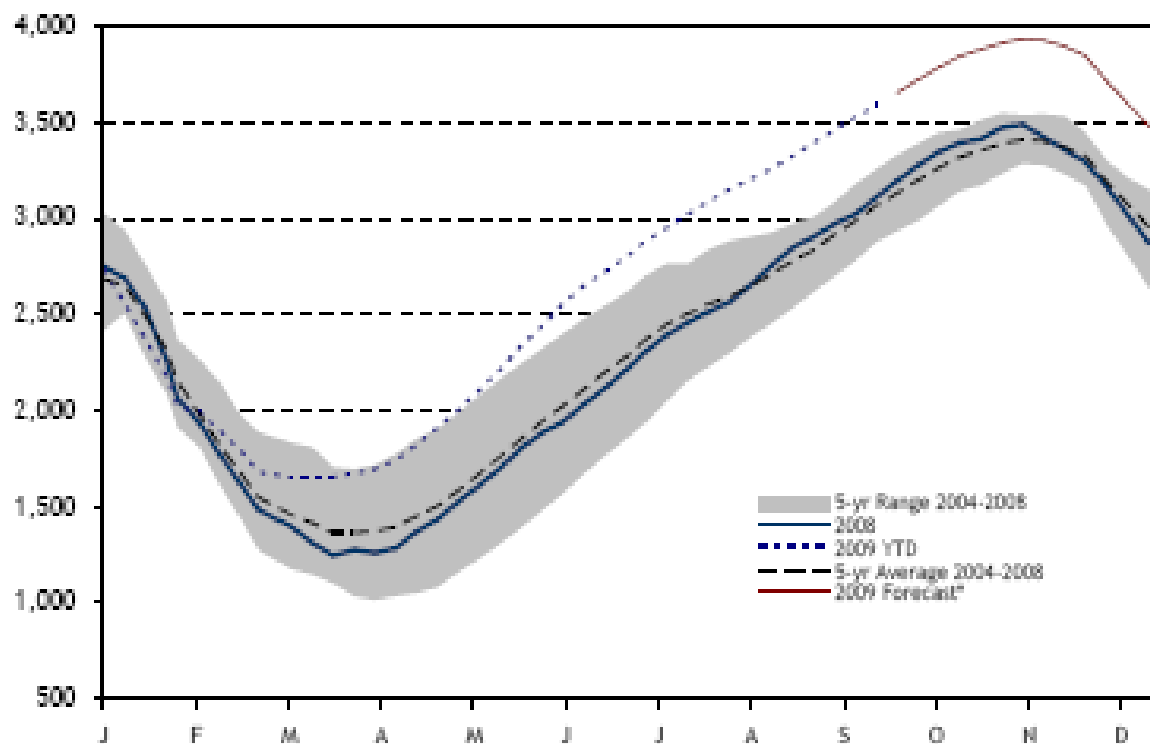
➤ 2010E \$80.00

➤ 2011E \$90.00

Source: Bloomberg

Natural Gas Outlook

Natural Gas – US Storage (Bcf)

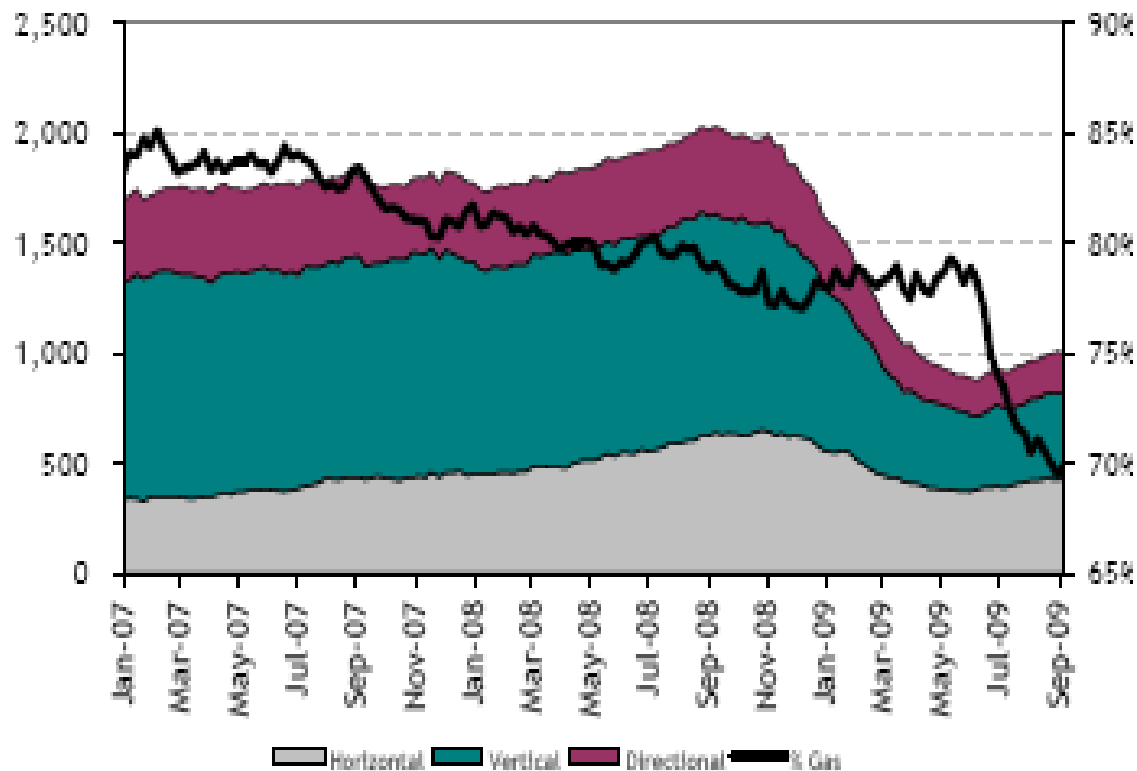


- **3.7 Tcf in storage**
- **~15% over 5-yr avg**
- **US industrial demand -12% YTD**

Source: RBC CM

Natural Gas Outlook

US Drilling Activity (Rig count)



➤ US gas rig count approx half of 2008 levels

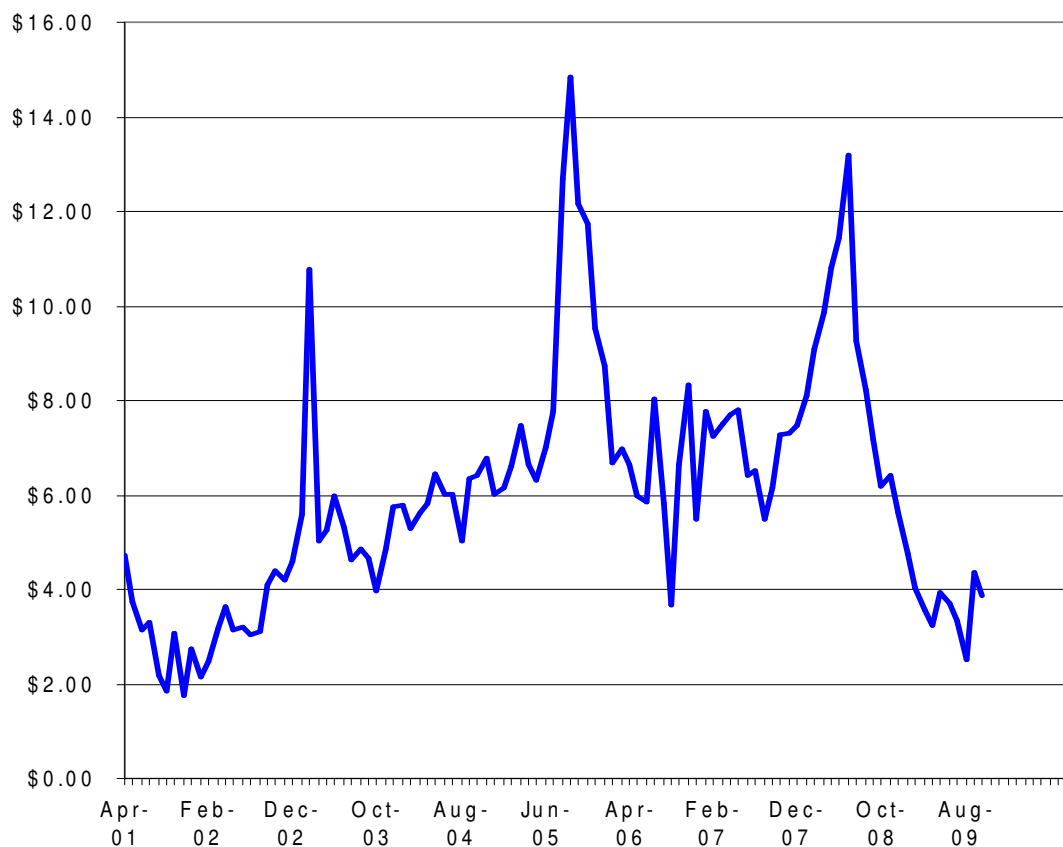
➤ US production 58 Bcf/d YTD, up from 57 Bcf YTD 2008

➤ Drilling cut back should translate into supply contraction

Source: RBC CM

Natural Gas Outlook

Natural Gas Price



➤ RBC CM outlook

➤ 2009E \$4.00

➤ 2010E \$6.00

➤ 2011E \$6.50

Source: Bloomberg

Separating Trend from Cycle

➤ Demographics

- Focus on countries with favourable demographics: India (PIN), Brazil (EWZ)

➤ Resources

- Inflation is a long-term concern, which benefits commodities
- Still massive underinvestment

➤ Gold

- The only “currency” that is immune to inflation
- Lack of new supply over past decade

➤ Shale Gas

- New technology has unlocked previously uneconomic fields

➤ Income

- Baby boomers will increasingly demand income over capital gains

Recap on Macro Reasons to be Bullish

- Massive Global Monetary Stimulus to Reflate the Economy
- Pledged Fiscal Stimulus is Still in the Pipeline
- Confidence in the Financial System has Been Restored
- Green Shoots Have Solid Roots – Real Signs of Growth
- Pain of holding cash is getting greater all the time

Questions?



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