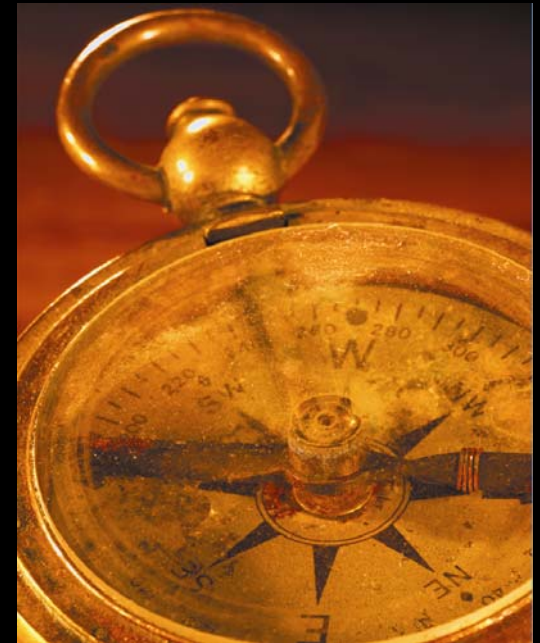


Strategic Edge

Portfolio Strategy Research

Global Strategy Outlook 2009-2010

Adding Offense as U.S. Goes From Worse To Bad



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Research Disclaimers & Disclosures

For Reg AC Certification and important disclosures, see Appendix A of this report.

Portfolio Strategy – 2009-2010 Outlook

- From Worse to Bad: U.S. Coincident Data Is Improving
- Unprecedented Monetary/Fiscal Stimulus To Provide GDP Lift by 2010
- North America, China, LatAm Economies Will Outperform Export Centric Countries (Germany, Japan)
- Equities Pricing Doomsday Scenario, Comfort (bonds, gold) Overpriced
- Asset Mix: Slowly Add Beta In Portfolios
- **Catalysts To Add Offense**: Troughs in ISM/Home Sales; Improving jobless claims; Rising EPS estimates
- Overweight U.S., CDA, EM (LatAm, China); Underweight Japan/Europe
- *Bear market* Not Over Until S&P 500 Moving Averages Revert Upwards

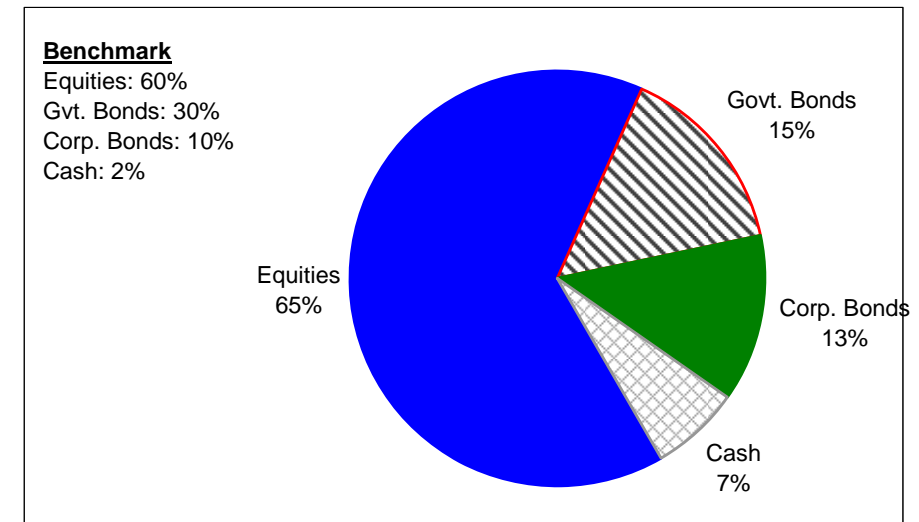
Scotia Capital Forecasts

Scotia Capital Financial Forecasts

	2007	2008 E	2009 E	2010 E
Equity				
S&P/TSX	13,834	8,988	10,000	
EPS	802	950	575	700
S&P 500	1,468	903	1,000	
EPS	82.67	49.50	55.00	70.00
Interest Rates				
BoC	4.25%	1.50%	0.25%	0.75%
CA 10-Yr	3.99%	2.68%	2.55%	3.60%
Fed Funds	4.25%	0.25%	0.25%	0.75%
US 10-Yr	4.02%	2.21%	2.70%	3.75%
Currencies & Commodities (Yearly Average)				
CAD (USD/CAD)	1.07	1.07	1.31	1.19
EUR-USD	1.37	1.47	1.29	1.43
USD-YEN	118	103	97	89
USD-MXN	10.9	11.2	14.5	13.9
WTI	72.19	99.92	45.00	58.75
Natural Gas	7.11	8.90	4.35	6.00
Copper	3.23	3.15	1.50	1.79
Gold	696	872	825	925

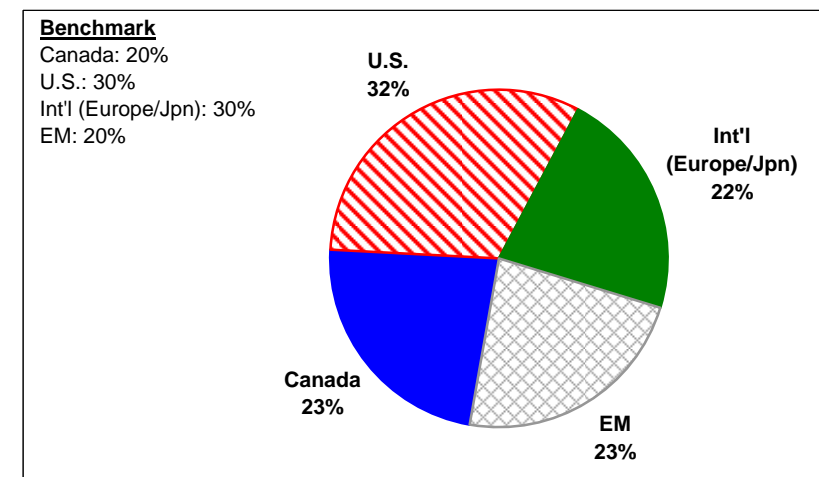
Source: Scotia Capital, Scotia Economics

Scotia Capital Asset Mix -- 2009



Source: Scotia Capital

Scotia Capital Equity Mix -- 2009

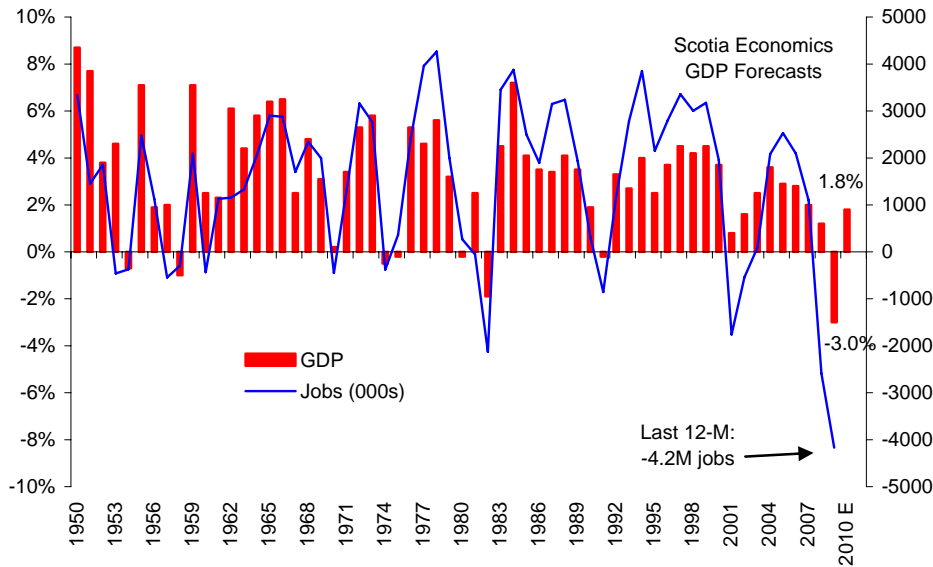


Source: Scotia Capital

U.S. Recession: From Fearing It To Living it

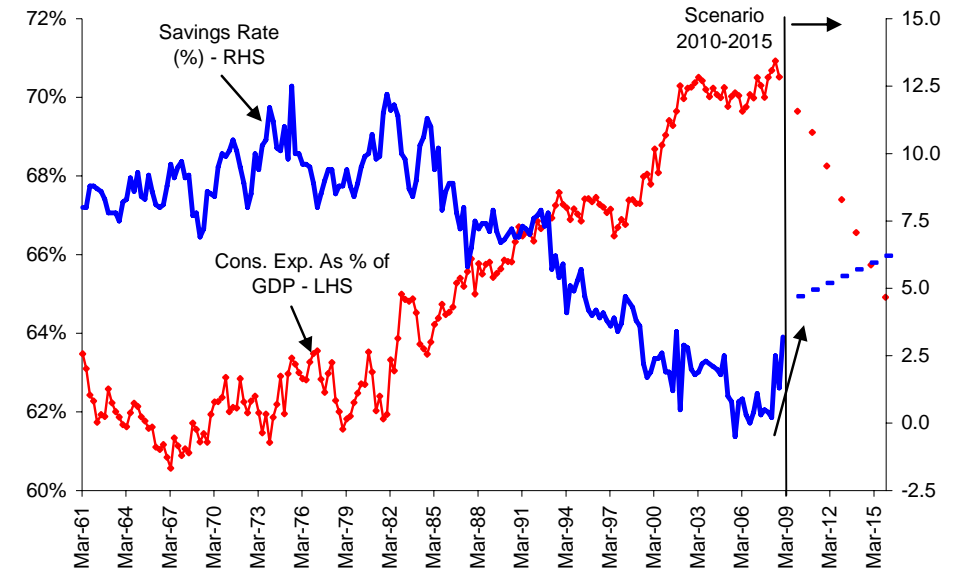
Job losses, Negative Consumer Spending, Rising Savings Rate

U.S. GDP & Jobs



Source: Scotia Capital, Scotia Economics, Census Bureau

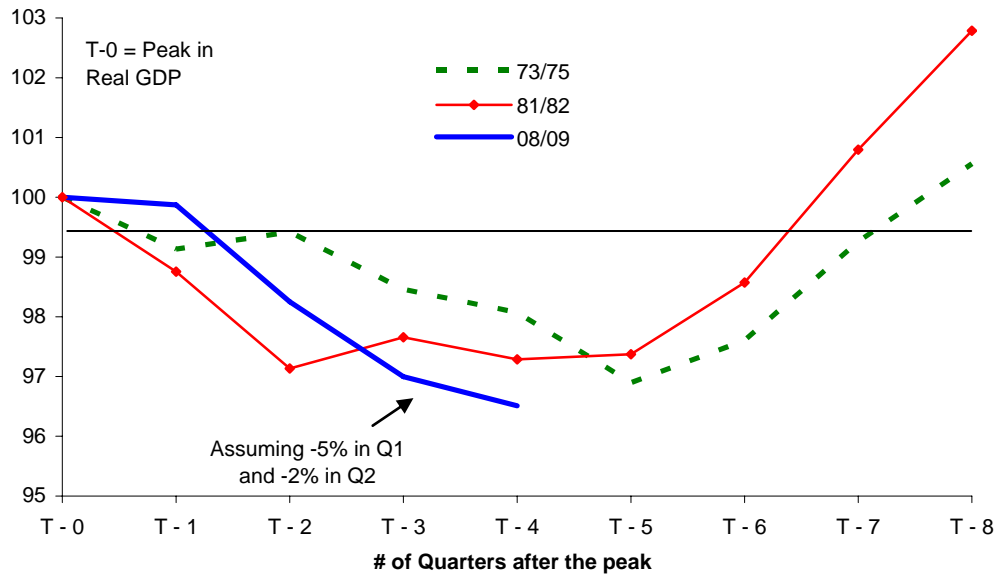
U.S. Savings Rate & Personal Consumption Expenditures As % of GDP



Source: Scotia Capital, Bloomberg

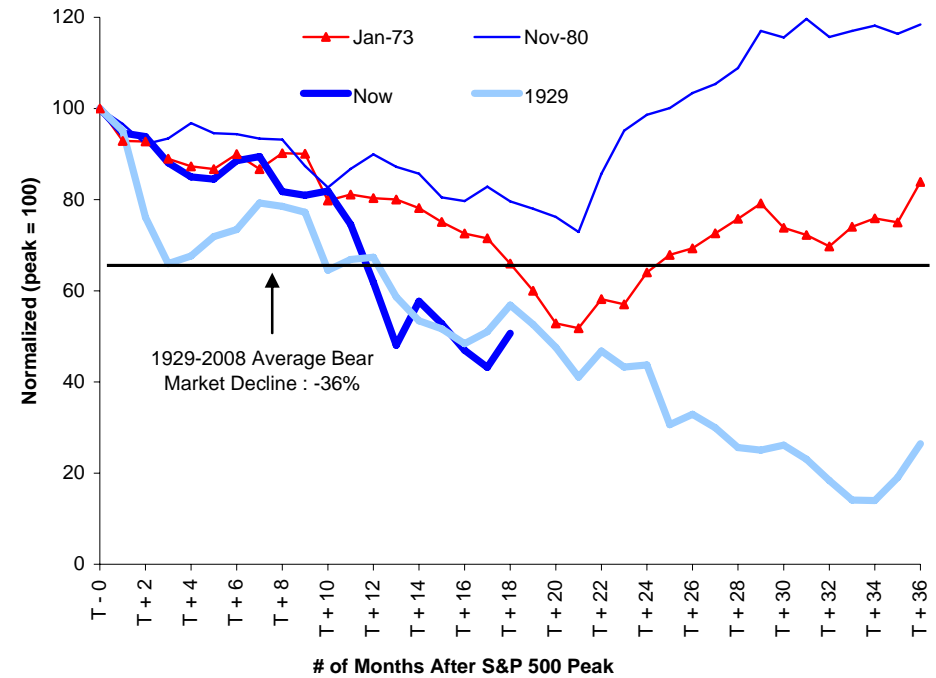
'08/'09 Recession versus '74 & '82

Charting Deep Recessions: '08/'09 versus '73 and '82



Source: Scotia Capital

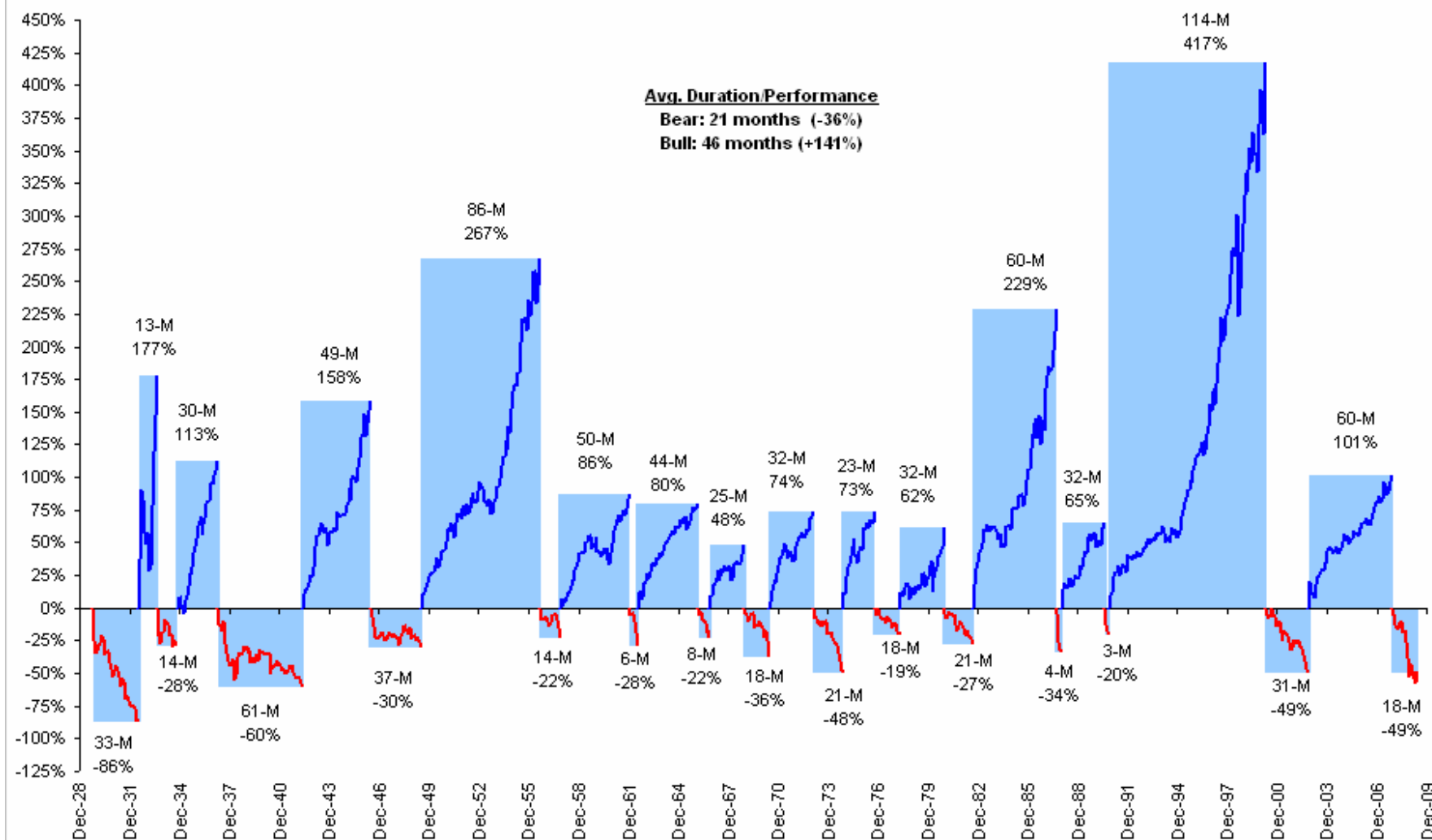
S&P 500 Historical Bear Markets (1929-2008)



Source: Scotia Capital

S&P500 Bear Markets: Last 80 Years

S&P 500 Bear & Bull Markets (1929-2009)



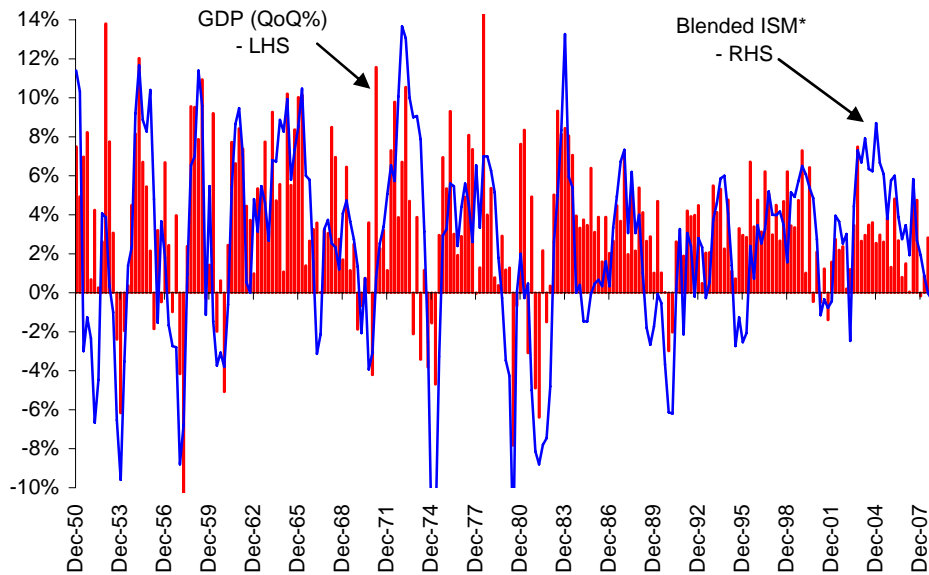
Source: Scotia Capital

Looking For a Trough In Coincident Indicators

ISM Indices are rebounding

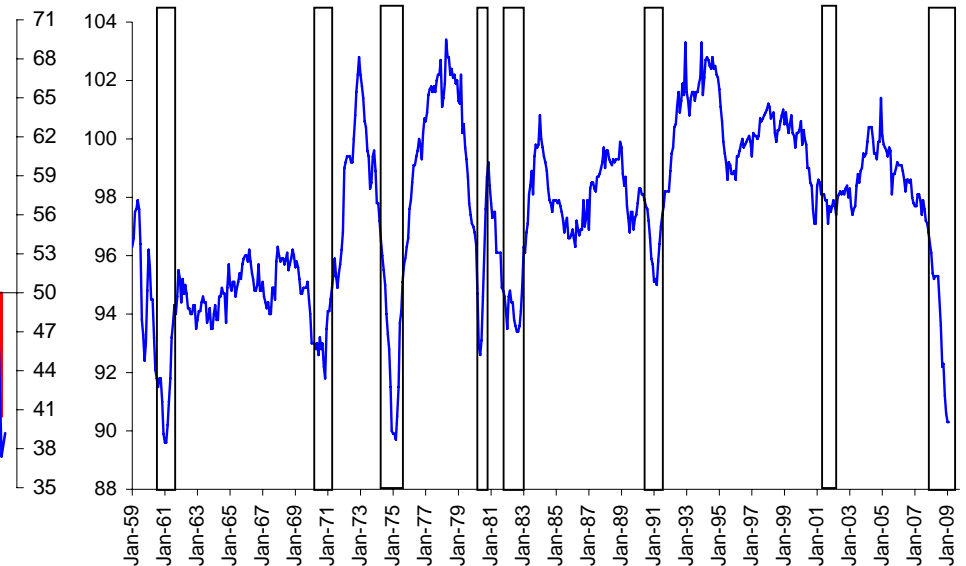
Coincident/Lagging ratio has stopped falling

Our Blended ISM Indicator is Rebounding from Trough Levels



*ISM Manufacturing prior to Jul-97, Blended thereafter (25% manuf. / 75% non-manuf.)
Source: Scotia Capital

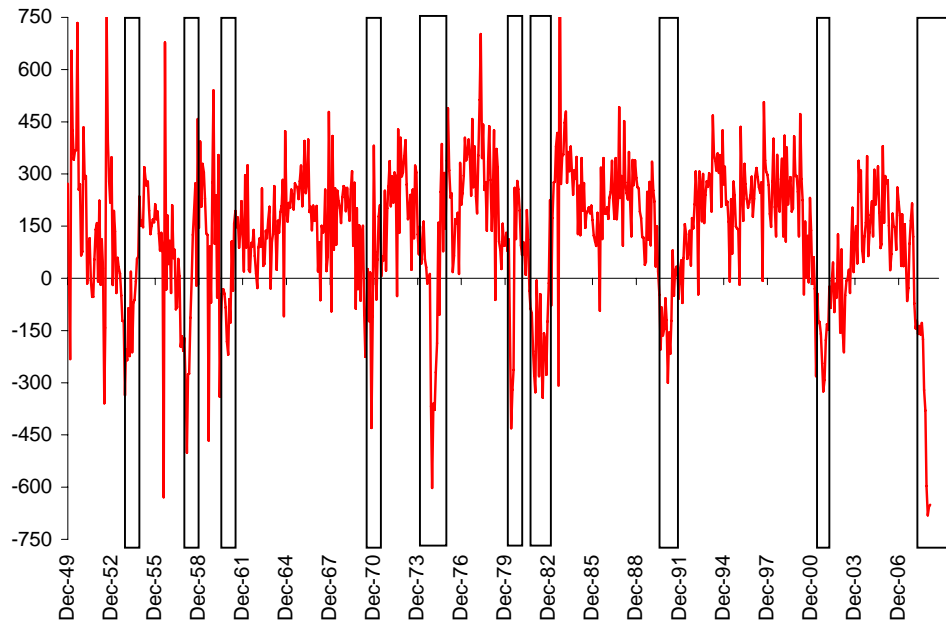
Ratio of Coincident to Lagging Economic Indicator & U.S. Recessions



U.S. Recessions: 1961, 1970, 1975, 1980, 1982, 1991, 2001, 2007
Source: Bloomberg

Jobs Recessions & S&P 500 Rebounds

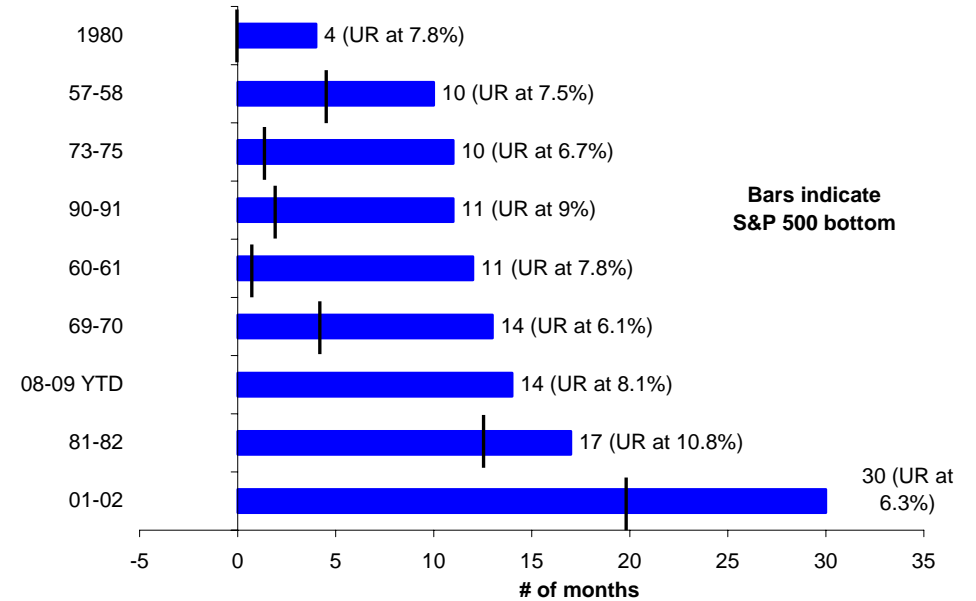
U.S. Monthly Payrolls (000s) 1949-2009



Shaded area represents US recession

Source: Bloomberg

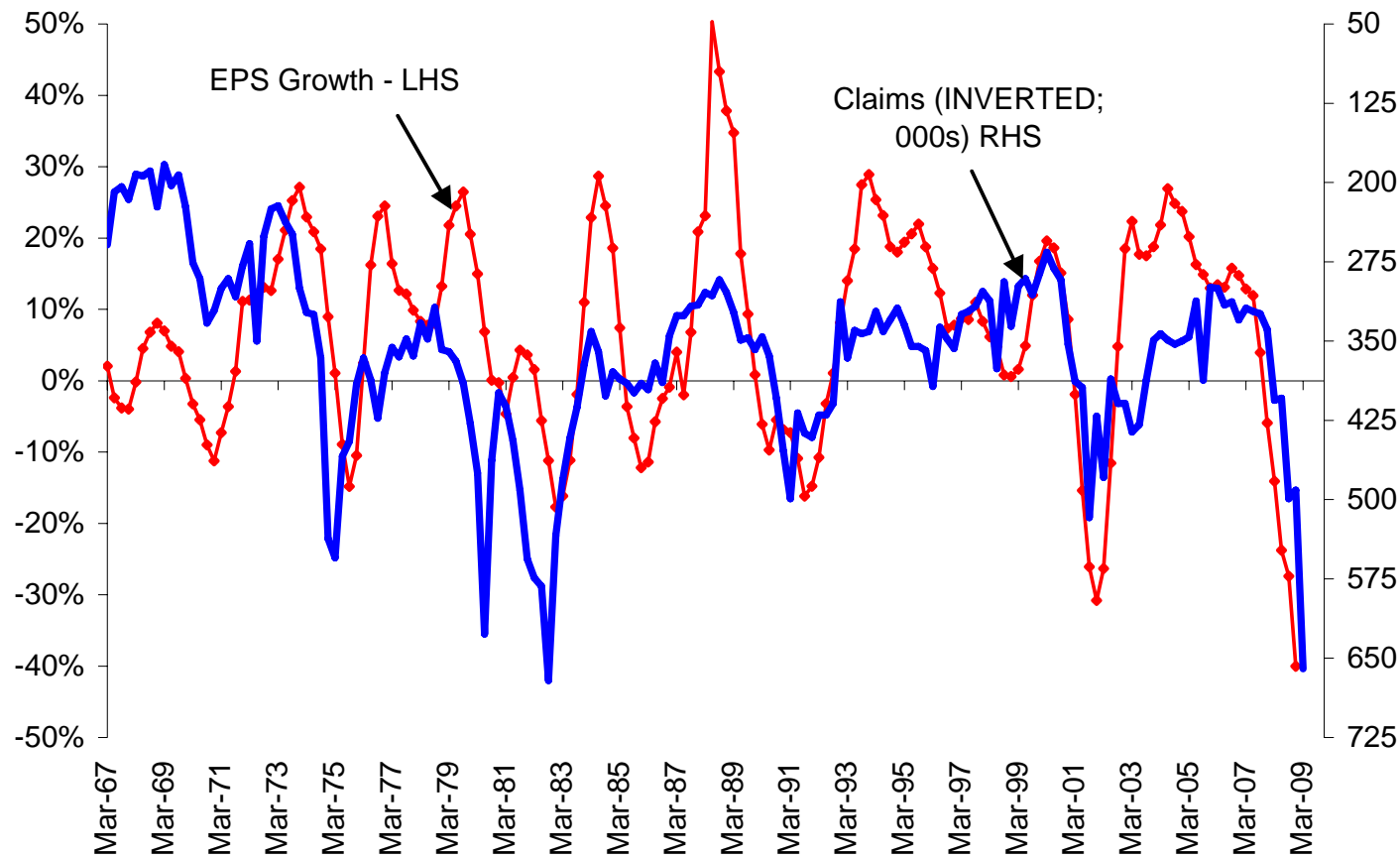
U.S. Jobs Recessions & S&P 500 Rebounds



Source: Scotia Capital, Bloomberg

Jobs Recessions & Profits

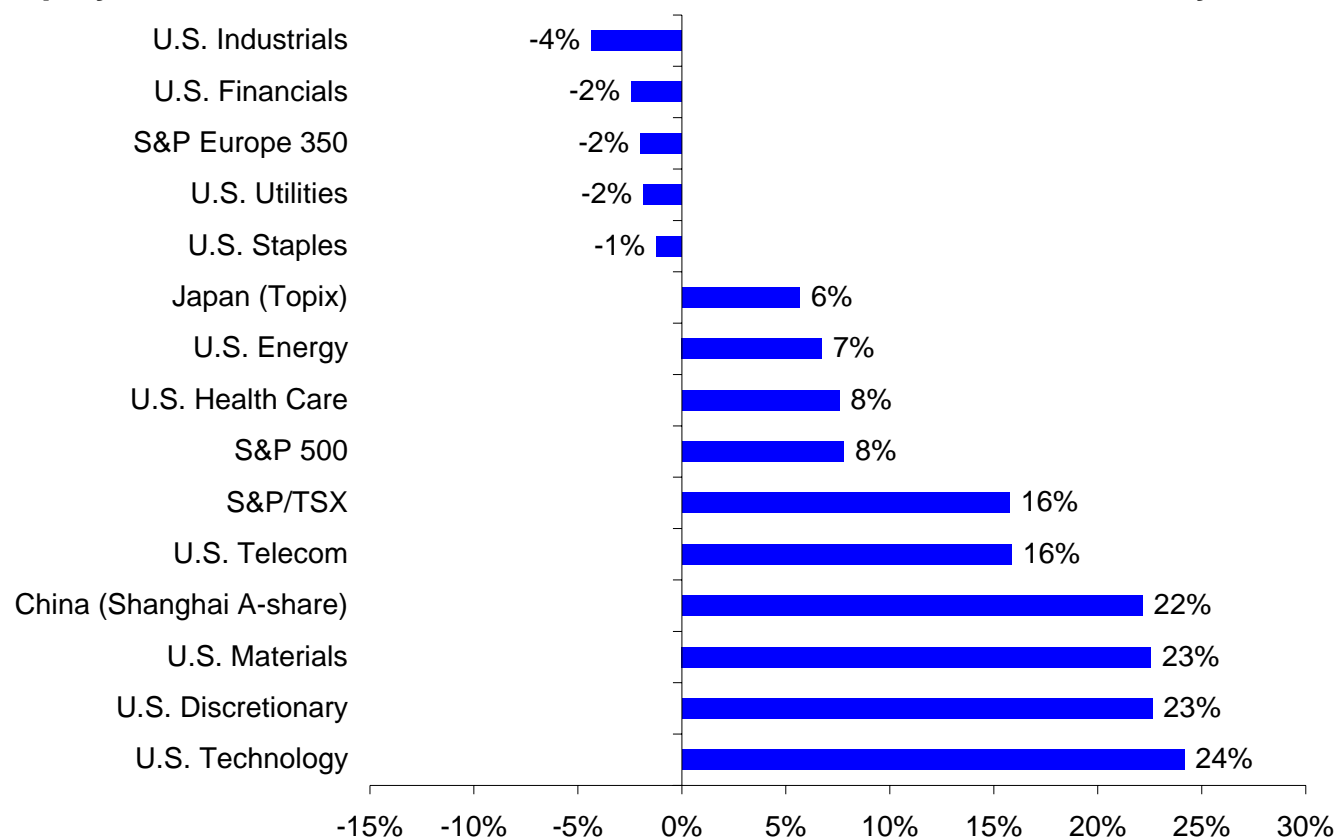
Jobless Claims & S&P 500 Earnings (YOY%)



Source: Scotia Capital, S&P

Equities: Performance Since November 20th

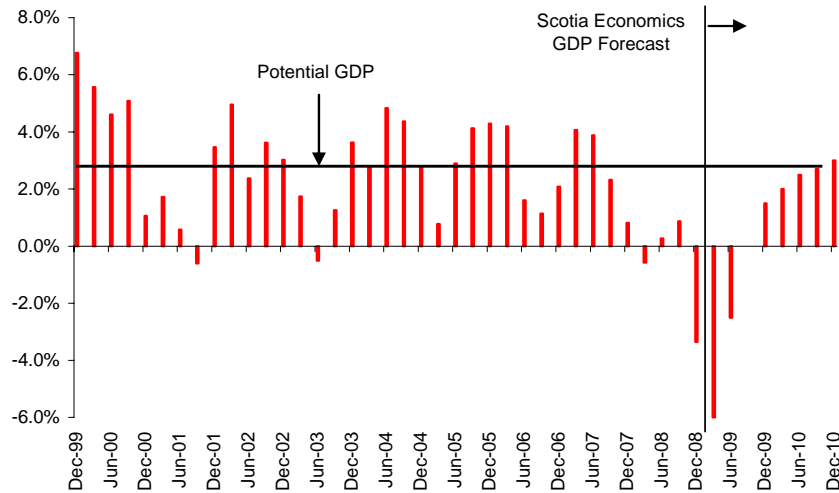
Equity Performance Since November 20, 2008: A Financials-Less Rally (As at Apr. 1, 2009)



Source: Bloomberg

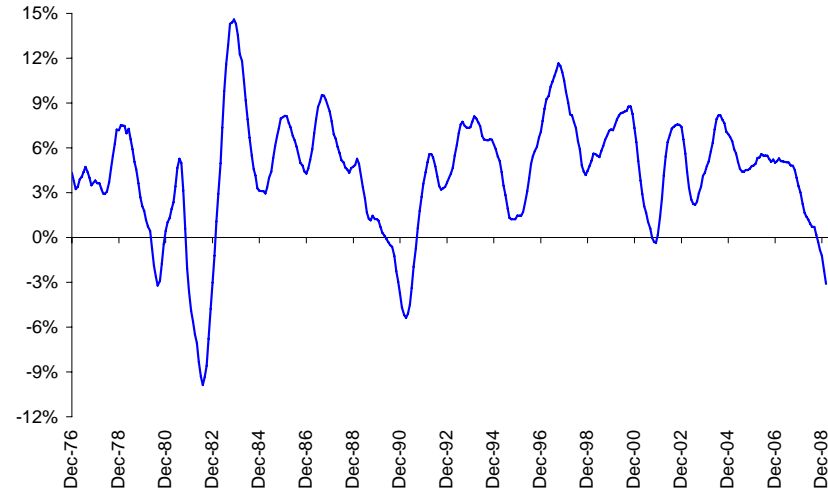
Canadian Recession Worsening

Canadian GDP (QOQ%) - 1999-2010



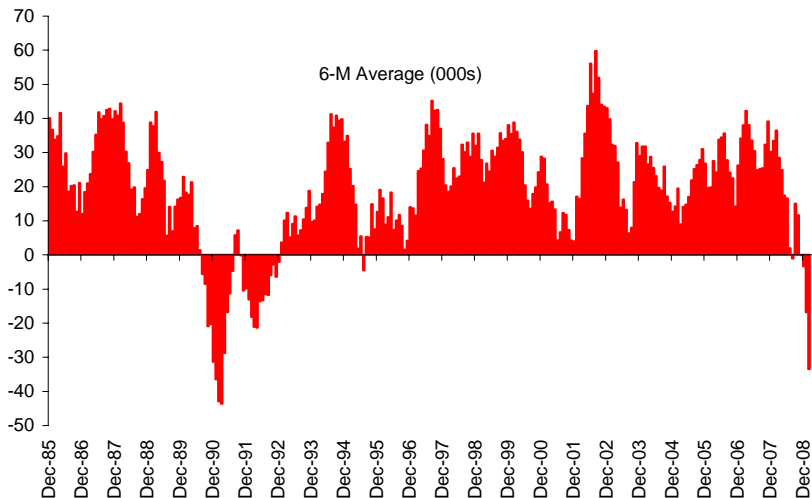
Source : Scotia Economics, Bloomberg

Canada Leading Economic Indicator (YOY%)



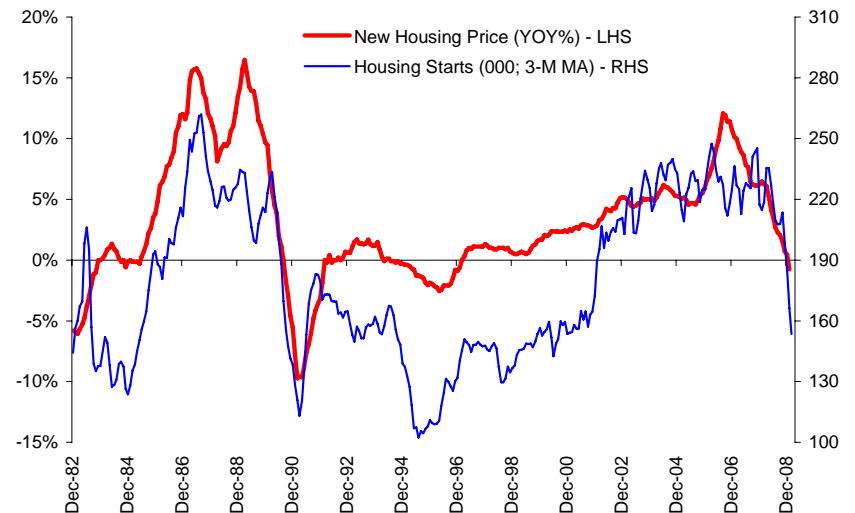
Source: Bloomberg

Canada - Employment



12 Source: Bloomberg

Canada: Housing Starts & New House Price



Source: Bloomberg

Disclaimer

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