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## Monthly World Markets Report



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See Legal Disclaimer and Important Disclosure Footnotes at the end of this report for disclosures, including potential conflicts of interest. Complete research on any securities mentioned in this report is available from your Investment Advisor. All prices quoted in this report are as of the close of markets on January 27, 2009.

### Energy Stocks: What Are Investors Expecting?

One method investors use to value energy stocks is to calculate the price of oil that is being implied by the stocks' trading level. If the implied price of oil is much higher than the current price, one could consider energy stocks to be overvalued.

Research analysts use complicated models to determine the implied price of oil. As an alternative, however, there is a simple (and surprisingly accurate) tool that the average investor can use to gauge whether energy stocks are cheap or expensive relative to current commodity prices: the ratio of the S&P/TSX Capped Energy Index to the price of oil.

Since the energy index's inception in 2000, whenever this ratio has risen above 5.5, it has signalled that energy stocks were expensive, resulting in low returns in the following twelve months. Conversely, after the ratio has fallen below 3.5, energy stocks on average enjoyed strong one-year returns (the one exception was in late 2007 when the stocks could not overcome the 49% collapse in the price of oil over the next year).

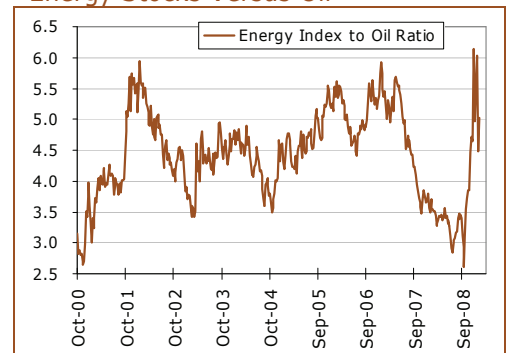
More recently, the index-to-oil ratio fell to an all-time low of 2.6 in October 2008, when investors were indiscriminately selling their stocks. Following that low, even though oil fell a further 54% to US\$35.40/bbl by mid-January, the energy index actually rose 8%, solidifying the ratio's predictive ability. As a result of the stocks' subsequent outperformance, the ratio reversed course and hit a record peak of 6.2 on January 15.

This new level suggested one of two things: Either energy stocks were dangerously high, or the price of oil had to rebound. The truth probably lies somewhere in the middle. Since the ratio's peak, oil has indeed rebounded 18% to US\$41.58/bbl. As suggested by the ratio, however, energy stocks were overvalued and have actually fallen 4% in that time. As one might expect, the ratio has now eased back to 5.0, above its historic average of 4.4. This suggests that energy stocks are still moderately expensive relative to the current price of oil.

So what should investors do? Besides continuing to monitor this ratio, the best course of action may be to take a defensive stance in the energy sector. When the global economy begins its recovery, the rebound in oil could be rapid as new large oilfield discoveries become more scarce and the impact of production cutbacks is felt; however, that might not take place for many months. If the price of oil remains close to US\$40/bbl for an extended period, the first stocks at risk will be those of oil sands producers.

While oil sands assets will likely prove their long-term value when oil prices recover, in the near term, oil sands production is barely economic as operating costs remain close to C\$35/bbl. Instead, investors should focus on companies with solid balance sheets and no near-term cash requirements as CIBC World Markets analyst William Lee believes these types of companies will better withstand the depressed energy prices. In light of this view, he rates EnCana Corp., which produces more natural gas than oil, and Husky Energy Ltd., which generates substantial free cash flow, as Sector Outperformers.

Energy Stocks Versus Oil



Source: Bloomberg

**SUNIL BHARDWAJ, MBA, CFA**

Canadian Equities Specialist, Private Client Investing

## Demystifying Subordinated Bank Debt

Subordinated bank debt instruments such as Capital Trust Securities, Reset Notes, and Fixed-To-Float Bonds are investment-grade fixed income securities that currently provide investors with attractive yields. Unfortunately, some investors avoid these types of instruments because of their complex structure. With a better understanding, investors might benefit from the enhanced yields these products offer in this low interest rate environment.

### Why Banks Need Capital

In general, companies sell debt and equity (referred to as capital) in order to fund their operations. However, when it comes to financial institutions, such as banks, capital is also required to provide depositors with protection against unexpected losses. For regulatory purposes, a bank's capital is divided into several *Tiers*, and each Tier is comprised of different types of securities that investors can purchase.

### Tier 1 Capital – Capital Trust Securities

Tier 1 Capital is the core measure of a bank's financial strength from a regulator's point of view. It is composed of capital from retained earnings, common shares, non-cumulative preferred shares and innovative instruments such as Capital Trust Securities (CTS). Tier 1 Capital instruments are intended to be either long term (legal stated maturity of 99 years) or perpetual (they cannot be redeemed at the option of the holder). The bank must withhold distributions to Tier 1 instruments if it is not meeting its debt obligations or paying dividends on cumulative preferred shares.

Capital Trusts are structured as wholly owned trusts of the issuing bank but do not conduct business as a trust company. Instead, an investment in any of these CTS represents an undivided co-ownership interest in either asset-based structures or loan-based structures of the issuing company.

CTS are usually redeemable at par by the issuer 10 to 30 years after their issue date. If not redeemed, the coupon rates change from a fixed rate to a floating rate (usually equal to the yield on six-month Bankers Acceptances or five-year Government of Canada bonds plus a handsome spread on either one).

Some CTS are exchangeable into preferred shares which are in turn convertible into common shares at the option of the holder. However, all CTS are automatically exchanged into non-cumulative preferred shares if the bank's financial position weakens significantly. Regulators define significant financial weakness to be a Tier 1 Capital ratio that is less than 5% of the risk-weighted assets of the bank or a Total Capital ratio that is less than 8% of the risk-weighted assets of the bank. (Risk-weighted assets represent customer loans and mortgages among other items.)

### Examples Of Capital Trust Securities – Tier 1 Capital

Issue	DBRS Rating	Yield To Call
BMO Capital Trust II 10.221% 12/31/07-18	A (High)	9.18%
TD Capital Trust IV 9.523% 6/30/08-19	A (High)	9.03%
RBC Capital Trust 4.87% 12/31/49-15	A (High)	8.22%

Source: Bloomberg

### Reset Notes – Tier 2a Capital

Tier 2 Capital is a measure of a bank's financial strength with regard to the second most reliable form of financial capital from a regulator's point of view. It is composed of supplementary capital, which is categorized as undisclosed reserves, hybrid instruments (such as some Reset Notes) and subordinated term debt.

Reset Notes that fall under Tier 2a Capital have a legal stated maturity of 99 years but are usually redeemable by the issuer at par after 10 years. If not redeemed, the fixed coupon rate "resets" every five years to the yield on five-year Government of Canada bonds plus a spread. The bank may defer interest payments on these securities if net income is negative for the previous four quarters and it is not paying any dividends on equity instruments. Tier 2a Reset Notes are automatically converted into cumulative preferred shares if the bank's financial position weakens significantly.

### Examples Of Reset Notes – Tier 2a

Issue	DBRS Rating	Yield To Call
TD 4.97% 10/30/04-15	AA (low)	8.72%
TD 5.763% 12/18/06-17	AA (low)	9.32%
RBC 5.95% 06/18/2103-14	AA (low)	8.14%

Source: Bloomberg

### Tier 2b Capital – Fixed-To-Float Bonds

Fixed-To-Float Bonds are issued as part of Tier 2b Capital. They generally have legally stated maturities of up to 15 years, and are redeemable by the issuer five years prior to maturity. If not redeemed, the coupon changes from a fixed to a floating rate equal to the three-month Bankers Acceptance rate plus a spread. Deferral of payments on these securities is not legally allowed and there are no conversion features to preferred or common shares.

### Risk/Reward

In general, there are two key risks involved with owning these debt instruments. Firstly, credit risk is higher since senior bonds have priority in the case of liquidation or asset distribution. Due to this, the credit rating for these products is lower than that for similar deposit notes. However, it should be noted that these securities still rank higher than common equity.

A second key concern is extension risk, which is the risk that the bond will remain outstanding longer than the anticipated redemption date. In cases where the regulator deems the bank to be financially distressed, investors may end up holding preferred shares or common shares. It should be noted that the regulator must approve all redemptions of these products.

Despite ranking behind senior bonds, these securities are still investment grade. Investors who are willing to accept higher credit risk and extension risk will be rewarded with yields that are higher than comparable, but more senior ranked issues.

**KORY BREWSTER, DMS**  
 Director, Fixed Income & Currencies

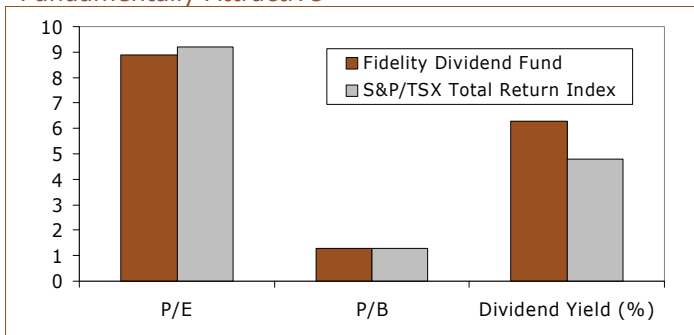
## Top Fund Picks Of 2009

With the inauguration of a new U.S. president, plans of further coordinated government intervention and one of the worst years in financial history behind us, one can hope 2009 is more prosperous. The bad news is that January did not start the year off in the right direction due to a broadening view that the global recession will be prolonged. However, the good news is that with equity markets within spitting distance of the lows seen following last year's dramatic market sell-off, there are more than a handful of bargains to be had. While it can be argued that no companies are completely recession-proof, 18<sup>th</sup> century banking tycoon Baron Rothschild put it best when he famously said, "The time to buy is when there's blood on the streets." Warren Buffett has successfully adhered to a similar mantra with his value investing approach. For our top fund picks of 2009, we have selected three funds that follow this contrarian approach and offer attractive yields.

### A Canadian Fund Well Positioned For The Climate

We believe the Fidelity Dividend Fund is ideal for investors looking for the right cornerstone for their portfolio. The fund's -22.8% return in 2008 may not seem impressive at first glance but when we consider that the S&P/TSX Total Return Index lost 33.0% over the same period, we realize that the manager's ability to generate positive returns was more than offset by the unprecedented state of the market. We believe the Fidelity Dividend Fund boasts compelling fundamentals, with a price to earnings (P/E) ratio of 8.9x and a 6.3% dividend yield to generate income while investors wait for the market unrest to settle. Comparatively, the benchmark index has a P/E ratio of 9.2x and a dividend yield of 4.8%.

#### Fundamentally Attractive



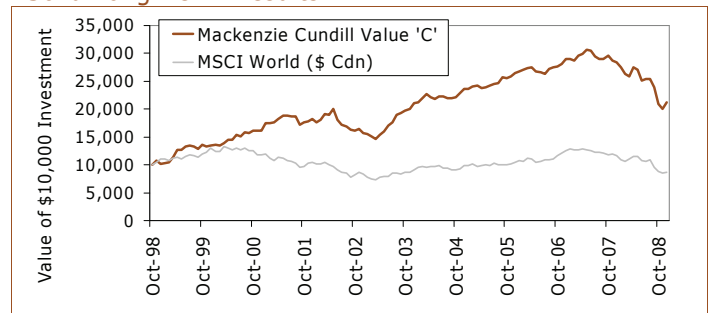
Source: Fidelity Investments, Morningstar Research Inc.

The Fidelity Dividend Fund provides exposure to some quality large-cap names such as EnCana Corp. and TransCanada Corp. and high grade financials such as the Royal Bank of Canada and Toronto-Dominion Bank. And though the financial sector may still be sailing in rough waters, the Canadian banks were rated the soundest of all global peers by the World Economic Forum late last year. The fund's 2.4% management expense ratio (MER) is just about average in its peer group but we believe this fund is well managed and a good long-term holding as it provides investors with quality names trading at bargain levels.

## Take Advantage Of The Global Recession

Our top global equity pick has been a staple in our Recommended Funds List over the past two years. The Mackenzie Cundill Value Series 'C' continues to outshine its peers, being one of the few global equity funds to outperform its index last year. In fact, the Cundill Investment Management Team has outperformed the MSCI World Index, the fund's benchmark, in nine of the past 10 years. Though former lead manager Peter Cundill is now less involved with the day-to-day operations of the fund, taking on more of an advisory role, we believe the team he has built over the years is more than capable of continuing the outperformance. The fund delivered first-quartile performance in 2008 as well as the five-and 10-year timeframes.

### Solid Long-Term Results



Source: Mackenzie Financial Corp., Globe HySales

Many strategists agree that 2009 may be challenging and, staying with our theme of being paid to wait out the storm, this fund offers a 5.7% dividend yield. The fund may not seem cheap based on its 11.2x P/E ratio, which is higher than the MSCI World (C\$) Index's 8.2x, but its 0.8x price to book (P/B) ratio is significantly lower than the index's 1.3x. Not too long ago, the management team held a relatively high cash position, which had served investors well, but some of this has been put to use recently as valuations have become too good to pass up. Given its track record, the Cundill Investment Management Team has proven to be among the rare managers able to outperform in nearly any market environment.

### In Search Of Yield

One sector that has become a hot topic is the high-yield bond sector. Some contend that the uptick in yield more than compensates for the additional risk. A small allocation to this area may generate some additional returns for more aggressive investors. The PH&N High Yield Bond Fund is our top pick in this sector, as its Sharpe ratio ranks among the top of its peer group, suggesting the risk/return trade-off is attractive.

Investors often have no problem throwing money at overvalued winners in a bull market, but it takes real courage to buy when the economic outlook is forecast as weak at best. However, one of the most basic rules of investing is "buy low and sell high" and following last year's market sell-off, investors now have a perfect opportunity to do so.

ALFRED LEE, CFA

Mutual Funds & Exchange Traded Funds Specialist

## Top Picks Of 2009

CIBC World Markets asked its equity research team to identify those companies that they believe hold good promise for 2009. Below, we provide the full list and highlight various names contained within it. Please note, complete research on each of these companies is available from your Investment Advisor and on *CIBC Wood Gundy Online*.

### CIBC World Markets' Top Picks Of 2009

	Symbol	Stock		Price 27-Jan-09	12- To 18-month Target Price	Earnings Per Share (EPS)			P/E 2009E	Dividend/Distribution	
		Rating	SW			2007A	2008E	2009E		Rate	Yield
ATS Automation Tooling Systems Inc. <sup>2</sup>	ATA	SO	M	\$4.14	\$6.70	-\$0.34	\$0.50	\$0.50	8.3x	Nil	Nil
Bank of Montreal <sup>2</sup>	BMO	SO	M	\$32.69	\$40.00	\$4.65	\$3.62	\$3.80	9.0x	\$2.80	8.6%
Calfrac Well Services Ltd.	CFW	SO	M	\$8.28	\$17.50	\$1.12	\$0.69	\$0.97	8.5x	\$0.10	1.2%
Celtic Exploration Ltd. <sup>6</sup>	CLT	SO	M	\$12.75	\$18.00	\$2.32	\$3.26	\$3.67	3.5x	Nil	Nil
Chartwell Seniors Housing REIT <sup>3</sup>	CSH.UN	SO	O	\$6.05	\$7.50	\$0.80	\$0.80	\$0.87	7.0x	\$0.74	12.2%
Daylight Resources Trust <sup>5</sup>	DAY.UN	SO	M	\$8.89	\$11.75	\$2.16	\$3.16	\$2.36	3.8x	\$0.96	10.8%
Empire Company Limited <sup>2</sup>	EMP.A	SO	M	\$49.67	\$57.00	\$3.65	\$3.98	\$4.41	11.3x	\$0.70	1.4%
Enbridge Inc.	ENB	SO	O	\$40.05	\$48.00	\$1.79	\$1.88	\$2.25	17.8x	\$1.48	3.7%
EnCana Corporation <sup>1,6</sup>	ECA	SO	M	\$54.54	\$70.00	US\$11.08	US\$12.76	US\$9.62	4.6x	\$1.95	3.6%
Franco-Nevada Corporation <sup>1</sup>	FNV	SO	O	\$24.17	\$33.00	N/A	US\$0.32	US\$0.32	61.4x	\$0.24	1.0%
H&R REIT <sup>4</sup>	HR.UN	SO	O	\$7.33	\$17.00	\$1.57	\$1.56	\$1.43	5.1x	\$0.72	9.8%
Hudbay Minerals Inc.	HBM	SO	M	\$4.90	\$7.00	\$2.04	\$0.72	\$0.12	40.8x	Nil	Nil
Kinross Gold Corporation <sup>1,7</sup>	K	R	O	\$20.96	--	--	--	--	--	\$0.10	0.5%
Pacific Rubiales Energy Corp. <sup>1,6</sup>	PRE	SO	M	\$2.22	\$6.00	US\$0.13	US\$1.23	US\$0.85	2.1x	Nil	Nil
Potash Corporation <sup>1</sup>	POT	SO	M	\$93.60	US\$120.00 / C\$147.67	US\$3.40	US\$11.01A	US\$11.10	6.9x	\$0.49	0.5%
Sandvine Corporation	SVC	SO	M	\$0.75	\$2.00	\$0.14	-\$0.08A	-\$0.04	--	Nil	Nil
Shaw Communications Inc. <sup>2</sup>	SJR.B	SO	M	\$20.45	\$26.00	\$1.13	\$1.19	\$1.37	17.2x	\$0.84	4.1%
Thompson Creek Metals Company, Inc. <sup>1</sup>	TCM	SO	M	\$4.92	\$6.00	US\$1.24	US\$1.98	US\$0.07	57.1x	Nil	Nil

SW – Sector Weighting; A – Actual for the fiscal year; E – Estimate for the fiscal year; N/A – Not Available; R- Restricted

Note: The Top Picks Of 2009, as originally published on January 16, 2009, included Atrium Innovations Inc. However, effective January 20, 2009, coverage of this name was discontinued due to a realignment of CIBC World Markets' research coverage.

1. Reports earnings in U.S. dollars. Where applicable, target price, earnings for P/E and dividend converted to Canadian dollars at a US\$/C\$ exchange rate of 0.8126. EnCana, Kinross Gold and Potash also trade on the NYSE under symbols ECA, KGC and POT, respectively.

2. Earnings per share figures displayed are 2008A, 2009E and 2010E. ATS Automation Tooling Systems fiscal year ends March; P/E is for F2010. Bank of Montreal fiscal year ends October. Empire Company fiscal year ends April; P/E is for F2010. Shaw Communications fiscal year ends August.

3. Funds from operations (FFO) and P/FFO displayed in lieu of Earnings per Share (EPS) and P/E, respectively.

4. Distributable Income per Unit (DIPU) and P/DIPU displayed in lieu of Earnings per Share (EPS) and P/E, respectively.

5. Cash Flow per Unit (CFPU) and P/CFPU displayed in lieu of Earnings per Share (EPS) and P/E, respectively.

6. Cash Flow per Share (CFPS) and P/CFPS displayed in lieu of Earnings per Share (EPS) and P/E, respectively.

7. Note that CIBC World Markets is restricted on Kinross Gold at this time.

For a full description of the CIBC World Markets Research Rating System, please see page 8.

### Bank of Montreal (BMO, \$32.69, Sector Outperformer) Price Target: \$40.00

CIBC World Markets analyst Darko Mihelic upgraded Bank of Montreal to Sector Outperformer from Sector Performer on January 13 (at a stock price of \$32.81), citing an attractive stock valuation and dividend yield. Bank of Montreal is his top pick among the Canadian banks.

Mr. Mihelic believes Bank of Montreal's exposure to structured credit products is manageable and that the bank should be able to mitigate risk given its sound credit underwriting practices. In addition, he projects Bank of Montreal's Tier 1 capital ratio will rise to 10.2% in Q4/F2009 from 9.8% in Q4/F2008. This should provide it with both a comfortable cushion against adverse events arising from a prolonged North American recession and the ability to support its current level of dividends.

Bank of Montreal's valuation is attractive, with its shares trading close to Mr. Mihelic's F2009 tangible book value per share estimate of \$29.24. Moreover, the stock's forward P/E multiple of 9.0x is at a discount to its 10-year average multiple of approximately 11.5x. Also appealing is Bank of Montreal's 8.6%

dividend yield, which compares favourably to the average 7.1% yield of its Canadian bank peers.

### Chartwell Seniors Housing REIT (CSH.UN, \$6.05, Sector Outperformer) Price Target: \$7.50

One of CIBC World Markets analyst Rossa O'Reilly's top picks for 2009 is Chartwell Seniors Housing REIT. Its seniors housing operations, based in Canada and the U.S., should be relatively recession resistant as residency is predominately entered into on a needs basis. Chartwell's residents are generally financially secure and have the financial capacity to absorb fees and annual rate hikes. Consequently, Mr. O'Reilly forecasts same-portfolio growth of 2% this year, bolstered by higher expected occupancy rates, while adjusted funds from operations (AFFO) are projected to increase from \$0.71 per unit to \$0.76 per unit.

Mr. O'Reilly believes Chartwell is well positioned to ride out the credit crunch. Its debt to gross book value is a moderate 54.3% and it has more than \$110 million in cash and available credit. It also has limited refinancing risk, with an average debt term of nine years and only 9.8% of its Canadian debt maturing this year. Moreover, 82% of the maturing debt is CMHC-insured,

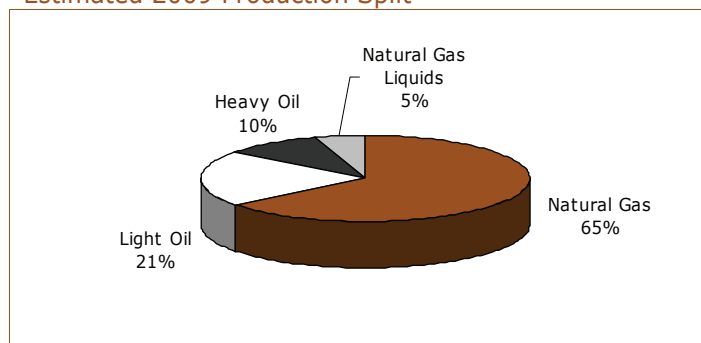
qualifying it for favourable refinancing terms. Chartwell's attractive 12.2% yield is fully covered by its 2009E AFFO.

**Daylight Resources Trust (DAY.UN, \$8.89, Sector Outperformer) Price Target: \$11.75**

Daylight Resources Trust is an Alberta-based energy trust with roughly 65% of its production geared toward natural gas. In 2008 the trust posted the top total return in the sector and it is CIBC World Markets analyst Brad Borggard's top pick for 2009.

In 2009 Daylight is expected to build on the success it experienced in 2008 at its Cadomin tight gas play in the Elmworth area of Alberta, where it boosted production from 100 barrels of oil equivalent per day (Boe/d) to over 3,000 Boe/d with the first eight horizontally drilled wells. Daylight owns 93 net sections of land at the play, of which only around a quarter have booked reserves, leaving room for further growth. The trust's lands in the Kaybob region offer exposure to the Montney natural gas formation. Production from its initial horizontal well in the region exceeded Daylight's expectations.

**Estimated 2009 Production Split**



Source: Company and CIBC World Markets Inc.

Daylight offers investors an attractive 10.8% yield. Moreover, Mr. Borggard believes Daylight has one of the more solid distributions in the group, with a below-average payout ratio and close to half of its 2009E production hedged at average prices of C\$110.00 per barrel of oil and C\$8.00/Mcf of gas, well above current prices.

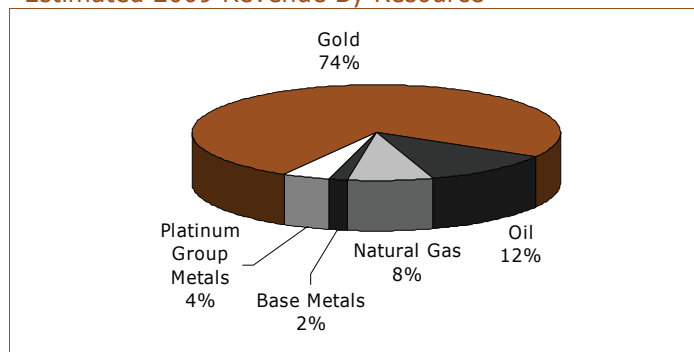
**Franco-Nevada Corp. (FNV, \$24.17, Sector Outperformer) Price Target: \$33.00**

Franco-Nevada Corp. is a gold-focused royalty company. With interests in 24 operating properties, 15 properties under development or advanced exploration, and more than 150 exploration projects, CIBC World Markets analyst Cosmos Chiu believes the company has substantial growth opportunities. Its current cash flow is generated primarily from royalties on Barrick Gold Corp.'s production in Nevada. Most recently, the company completed two accretive acquisitions including the Gold Quarry royalty operated by Newmont Mining Corp. and the Palmarejo royalty operated by Coeur d'Alene Mines Corp., proving that Franco-Nevada has the ability to make accretive transactions at favourable terms while increasing its gold exposure.

Franco-Nevada's royalty structure reduces much of the risk involved with mining. Because the company collects royalty

payments from mines run by other companies, its operating costs are very low, enabling it to generate an earnings-before-interest-taxes-depreciation-and-amortization (EBITDA) margin of 85% versus an average of less than 50% for the mining group. While Franco-Nevada is not immune to commodity price fluctuations, its strong balance sheet and \$150 million of cash and equivalents could allow it to continue acquiring additional royalty assets at times when their valuations are depressed.

**Estimated 2009 Revenue By Resource**



Source: CIBC World Markets Inc.

**EnCana Corp. (ECA, \$54.54, Sector Outperformer) Price Target: \$70.00**

EnCana Corp. is CIBC World Markets analyst William Lee's top pick among large cap oil and gas producers for its sizable free cash flow, solid balance sheet and significant drilling inventory.

Despite a depressed commodity price environment, Mr. Lee believes EnCana should still generate US\$1.1 billion of free cash flow in 2009 after fully funding its US\$6.1 billion capital budget. Mr. Lee attributes this to its low cost structure and the hedges on roughly half of its gas production at approximately US\$9.00/Mcf versus recent spot prices of US\$4.50/Mcf. He notes that EnCana has sufficient financial flexibility, with a net debt to 2009E cash flow ratio of 1.4x, versus the senior producers group average of 1.6x, and around US\$2.8 billion of untapped credit facilities exiting 2009. Consequently, EnCana can capitalize on its exposure to the Horn River and Haynesville shale gas plays in British Columbia and Louisiana, respectively.

Mr. Lee believes EnCana is the pre-eminent unconventional gas producer in his coverage universe. He considers it a core holding and rates it Sector Outperformer with a \$70.00 price target.

**Empire Company Ltd. (EMP.A, \$49.67, Sector Outperformer) Price Target: \$57.00**

Faced with a major economic slowdown, the Canadian consumer has reacted by cutting back on discretionary spending, such as dining out at restaurants. CIBC World Markets analyst Perry Caicco believes this is a trend that will continue to benefit Empire Company Ltd., a grocer that is well positioned, growing and which trades at an attractive valuation relative to its peer group.

Years of restructuring and developing Empire's core business, Sobeys, have resulted in a differentiated and resilient

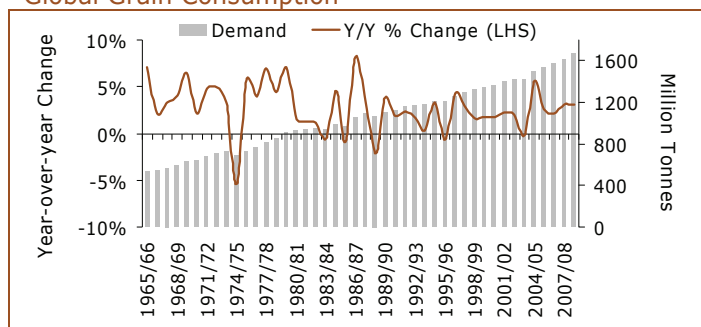
business model with improved private-label offerings, greater penetration in urban markets and a streamlined distribution system. The company's recent success has been the product of its restructuring and re-positioning process, the addition of talented executives in the middle ranks and surprisingly weak competition. Empire's superior positioning allowed it to grow sales at stores open one year or longer by 5.4% in its latest quarter, versus 1.5%, on average, for its Canadian counterparts.

Mr. Caicco believes Empire shares are attractively valued, trading at 11.3x his F2010 EPS estimate, versus 13.3x for its peer group.

**Potash Corp. of Saskatchewan (POT, C\$93.60, Sector Outperformer) Price Target: US\$120.00/C\$147.67**

Demand for food seems to be exerting great pressure on supply as the world's population continues to expand from a mere 2 billion people in 1930 to an estimated 6.7 billion at last count. One way to meet growing food demand is to improve crop yields via fertilization. And this, in the long run, should bode well for Potash Corp. of Saskatchewan, a global producer of potash, phosphate and nitrogen products for agricultural and animal feed use.

**Global Grain Consumption**



Source: United States Department of Agriculture and CIBC World Markets Inc.

CIBC World Markets analyst Jacob Bout believes potash has very attractive industry fundamentals, given controlled supply and low substitution for the commodity. This is promising for Potash Corp., which derives roughly 65% of its profits from potash. As the world's largest potash producer, the company can more effectively regulate global supply and maintain a better demand/supply equilibrium. Over the long term potash demand should remain resilient, despite softer demand in the short term amid a global slowdown.

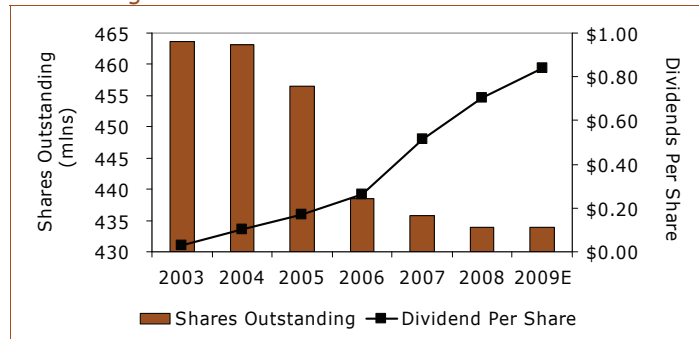
However, even with the current slowdown, Mr. Bout estimates Potash Corp. will grow earnings per share (EPS) to US\$11.10 in 2009 from US\$11.01 in 2008. He has a Sector Outperformer rating on Potash Corp. shares, which trade at 6.9x his 2009 EPS estimate.

**Shaw Communications Inc. (SJR.B, \$20.45, Sector Outperformer) Price Target: \$26.00**

Cable may be the most defensive area in the media, cable & telecom category, as consumers have demonstrated a willingness to add cable services, even amidst 2008's softening economic environment. In the quarter ending December 31, Shaw

Communications Inc. reported that revenues and operating income rose 10% and 11%, respectively. The strength came from digital cable services, such as high-speed Internet and high-definition television services.

**Returning Value To Shareholders**



Source: Bloomberg and CIBC World Markets Inc.

CIBC World Markets analyst Bob Bek notes that Shaw management is focused on generating free cash flow, which results in a material return of cash to shareholders through the company's share buyback program and dividend payouts. As evidence of this, the company announced a 5% dividend increase in January, despite the economic environment.

Mr. Bek believes Shaw's strong franchise, disciplined execution and free cash flow generation should still provide for solid gains in the year ahead and beyond.

**Thompson Creek Metals Co. Inc. (TCM, \$4.92, Sector Outperformer) Price Target: \$6.00**

Commodity prices in 2008 were pummeled by the global recession, and molybdenum, used to strengthen steel, was no exception. After fetching more than US\$30/lb. in early 2008, by year's end it had fallen closer to US\$9/lb. As a result, molybdenum producers have fallen out of favour. However, CIBC World Markets analyst Ian Parkinson believes shares of Thompson Creek Metals Co. Inc. represent a deep value play given its low debt levels, low valuation and solid asset base.

Mr. Parkinson notes that molybdenum has unique physical and chemical qualities that leave little opportunity for substitution by other metals. It is used in the atomic energy, oil & gas, and petrochemical refining sectors, all of which have strong long-term outlooks.

In the near term, the recovery in molybdenum prices should be closely tied to global steel production, which has been significantly curtailed in recent months due to the economic slowdown. Mr. Parkinson believes that when the rebound in demand occurs, shares of Thompson Creek, the largest pure-play molybdenum producer in the world, should be among the first to rebound. He estimates the company's net asset value (NAV) is \$12 per share, giving it a price-to-NAV ratio of 0.4x.

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YOGESH OZA, MA & SANDI ROSSI, CFA**  
*Private Client Investing*

## CIBC Economics Department Interest Rate Outlook

Interest Rates (%) – End of Qtr		27-Jan-09	Jun/09	Dec/09
3-month T-Bill	Canada	0.81	0.35	0.70
	U.S.	0.13	0.20	0.35
10-year Gov't Bond Yield	Canada	2.90	3.00	3.40
	U.S.	2.67	2.75	3.00
US\$/C\$		81.3	80.0	84.7

Source: CIBC World Markets Inc.

## CIBC World Markets Economic Outlook

Economic Outlook		2008F	2009F	2010F
Real GDP Growth (% Chg)	Canada	0.6	-0.5	1.8
	U.S.	1.2	-0.9	1.9
Consumer Price Index (% Chg)	Canada	2.4	1.0	3.3
	U.S.	3.8	0.2	4.2

Source: CIBC World Markets Inc.

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 Bank of Montreal (2a, 2c, 2e, 3a, 3c, 7) (BMO-TSX, C\$31.27, Sector Outperformer)  
 Barrick Gold Corporation (2g) (ABX-NYSE, US\$39.62, Sector Performer)  
 Calfrac Well Services Ltd. (2g, 7) (CFW-TSX, C\$8.95, Sector Outperformer)  
 Celtic Exploration Ltd. (2a, 2c, 2e, 2g, 7) (CLT-TSX, C\$12.60, Sector Outperformer)  
 Chartwell Seniors Housing REIT (2g, 5c) (CSH.UN-TSX, C\$5.61, Sector Outperformer)  
 Daylight Resources Trust (2a, 2c, 2e, 2g) (DAY.UN-TSX, C\$8.81, Sector Outperformer)  
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 Enbridge Inc. (2f, 2g, 7) (ENB-TSX, C\$39.60, Sector Outperformer)  
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H&R REIT (2a, 2c, 2e, 2g, 5c) (HR.UN-TSX, C\$7.40, Sector Outperformer)  
 Hudbay Minerals Inc. (2a, 2e, 5c, 7) (HBM-TSX, C\$4.79, Sector Outperformer)  
 Husky Energy Inc. (2a, 2e, 2g) (HSE-TSX, C\$30.79, Sector Outperformer)  
 Kinross Gold Corporation (2a, 2e, 2g, 5c) (KGC-NYSE, US\$18.55, Restricted)  
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 Potash Corporation (2g) (POT-NYSE, US\$77.14, Sector Outperformer)  
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 Sandvine Corporation (2g, 3a, 3c) (SVC-TSX, C\$0.72, Sector Outperformer)  
 Shaw Communications Inc. (2g, 13) (SJR.B-TSX, C\$20.47, Sector Outperformer)  
 Thompson Creek Metals Company, Inc. (2g) (TCM-TSX, C\$5.69, Sector Outperformer)

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SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
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R	Restricted	CIBC World Markets is restricted*** from rating the stock.
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O	Overweight	Sector is expected to outperform the broader market averages.
M	Market Weight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

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