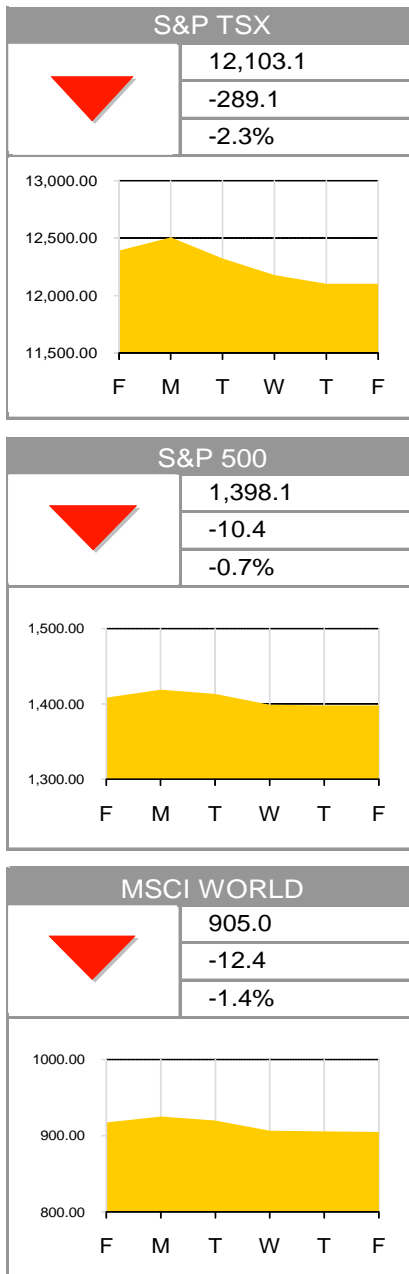


AGF Week in Review

For the week ended April 5, 2012



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Source: Bloomberg, Local Currency

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Week in review

Governor Carney suggests routing exports to emerging markets, household debt a cause for concern

- Bank of Canada's Governor Mark Carney stated, "the combination of overexposure to the U.S. market and underexposure to faster-growing emerging markets is almost entirely responsible for Canada's further loss in world market share over the last several years." He pointed out that exports still remain below their pre-crisis peak, and also below the levels set 10 years ago.
- The Governor pointed toward an increasingly concerning issue of rising debt burden on Canadian households, and said that although household spending grew strongly for the last decade, it was heavily reliant upon financing, especially from overseas. "These trends are unsustainable over the medium term," he stated.
- On a positive note, he mentioned Canadian real incomes have continued to rise, corporate balance sheets remain firm and a solid financial system is in place to foster growth – although this growth should be directed toward faster-growing emerging markets.

Source: Bank of Canada

Canadian unemployment rate declines

- The unemployment rate declined by 0.2%, to 7.2% in March, after employment rose by 82,000, largely because of an increase in the private sector. This beat the median projections of economists surveyed by Bloomberg News, which had expected 7.4% unemployment. Compared to March of 2011, employment rose by 1.1% (or 197,000), largely because of an increase in full-time employment.
- In March, the health care and social assistance, information, culture and recreation, as well as public administration services industries posted gains, while educational services declined.
- Ontario, Quebec and Manitoba posted gains in employment, showing increases of 46,000, 36,000 and 6,100 in March, while the Atlantic provinces of New Brunswick and Nova Scotia showed declines of 5,700 and 2,900, respectively.

Source: Statistics Canada

U.S. manufacturing expands in March, construction spending declines in February

- Manufacturing in the United States expanded in March, with the Institute for Supply Management reporting a factory index reading of 53.4, rising from 52.4 a month ago. This was supported by gains in 15 of the 18 manufacturing industries.
- However, the housing industry continues to muddle along as construction spending decreased by 1.1%, surprising the median forecast of a 0.6% decline from Bloomberg-surveyed economists. It also comes on the heels of a downward-revised 0.8% decline in spending in January (from a previously estimated 0.1% decline).
- Spending on private residential construction remained flat in February, although public construction declined by 1.7% as state, local and federal budget cuts discouraged spending, which also points toward a longer recovery time for the housing market.

Source: Bloomberg

U.S. jobless claims continue to decline, ADP shows jobs added

- U.S. initial jobless claims declined to 357,000 for the week ended March 31, from 363,000 a week before. This is the lowest level since four years ago. The number of people receiving jobless benefits declined marginally by 16,000, to 3.34 million (in the week ended March 24).
- 26 states reported a decline in claims, while 27 showed an increase, which may indicate that the labour market recovery could be slowing down.
- During March, U.S. businesses added 209,000 jobs according to the ADP National Employment Report, slightly exceeding economists' expectations of a 200,000 gain.
- A recent string of positive data has led the Federal Reserve to change its stance regarding a possible third round of quantitative easing, with some indications that this easing may not be necessary if the recovery is self-sustaining.

Source: *The Globe and Mail*, Bloomberg

Monsanto reports solid earnings, raises full-year earnings outlook

- In its fiscal second-quarter report, Monsanto Company reported an increase in net income attributable, rising to US\$1.2 billion from US\$1.0 billion in the same quarter a year ago. On a per-share basis, diluted earnings rose to US\$2.24 from US\$1.88 per share, a 19.1% increase.
- The company attributed this to a strong selling season in the United States, as well as good growth in Latin America, which allowed it to raise its full-year earnings guidance range to US\$3.49-3.54 per share.
- Within its seeds and genomics divisions, all segments except vegetable seeds showed gains in net sales on a six-month basis, with net sales in its corn seed and traits segment rising substantially over the same period last year by 23%, achieving net sales of US\$3.7 billion for the six-month period ended February 29, 2012.

Source: Monsanto Company

ECB leaves interest rate unchanged, inflation likely to rise

- The European Central Bank decided to leave interest rates unchanged at 1.0%, matching the forecasts made by all 57 economists surveyed by Bloomberg News. The ECB expects the EU to face inflation in excess of 2% for 2012; as of March it was already at 2.6%, exceeding the 2% target.
- This decision comes on the heels of a slight decline (0.1%) in retail trade volume, as well as a rise in industrial producer prices (0.6%).
- The ECB will continue to face significant difficulty taking action in the future, as the performance of the EU economies continue to diverge, thus making it harder to predict policy shifts. These policies will impact these divergent economies differently; for example, the German economy will be liable to overheating while other trailing economies may need more stimuli.

Source: Bloomberg, European Central Bank

European unemployment highest in more than a decade, manufacturing activity declines

- Seasonally adjusted unemployment in the European Union was 10.2% in February, rising slightly from 10.1% in January. According to Eurostat, approximately 24.6 million people were

unemployed in February, rising from January's figure by 167,000. Compared to February of 2011, the number of unemployed rose by 1.9 million.

- The lowest unemployment rates were seen in Austria and the Netherlands at 4.2% and 4.9%, respectively, while Spain and Greece recorded the highest unemployment rates of 23.6% and 21.0% (Greece as of December 2011). Germany recorded an unemployment rate of 5.7%.
- According to Markit Economics, manufacturing activity contracted again, to a three-month low in March, to 47.7 from 49 a month ago. Germany and France both posted a contraction during the month as well.

Source: Eurostat, Reuters, Bloomberg

The week ahead

- **Canadian economic releases** – Housing starts (Mar.), trade balance (Feb.)
- **U.S. economic releases** – CPI (Mar.), Fed beige book, trade balance (Feb.), wholesale inventories (Feb.)

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Market data

CANADIAN EQUITY INDEXES (\$CDN)	Close	Return (%)		Annualized Return (%)				52 wk high	52 wk low
		Week	YTD	1 YR	3YR	5 YR	10 YR		
S&P/TSX Composite PR Index	12,103	-2.3	1.2	-14.8	10.3	-2.1	4.5	14,314	10,848
S&P/TSX Composite TR Index	33,972	-2.3	2.0	-12.4	13.4	0.8	7.1	n/a	n/a
Energy TR	3,368	-3.2	-3.7	-19.6	9.1	-0.9	n/a	n/a	n/a
Materials TR	3,410	-5.2	-5.0	-26.8	11.2	4.2	n/a	4,601	3,410
Industrials TR	1,621	-1.2	2.1	-1.7	18.9	4.0	n/a	1,700	1,336
Consumer Disc. TR	1,296	-0.3	13.7	-2.0	12.6	-2.7	n/a	1,344	1,094
Consumer Staples TR	2,223	0.7	8.0	12.0	13.5	4.1	n/a	2,231	1,881
Health Care TR	1,073	2.0	18.0	14.5	53.8	14.4	n/a	1,073	723
Financials TR	2,462	-0.9	10.0	-2.2	20.2	0.5	n/a	2,529	2,064
Information Technology TR	111	-6.3	1.1	-51.8	-25.3	-16.7	n/a	232	106
Telecom Services TR	1,538	0.5	-0.4	18.7	19.7	5.9	n/a	1,546	1,280
Utilities TR	3,201	-0.5	0.6	5.9	19.8	7.0	n/a	3,298	2,779
S&P/TSX 60 TR Index	1,564	-2.3	2.1	-12.8	10.9	0.5	n/a	1,792	1,435
MSCI Canadian Small Cap PR Index	334	-2.4	1.2	-17.2	23.6	-1.3	5.4	n/a	n/a

WORLD EQUITY INDEXES (\$CDN)	Close	Return (%)		Annualized Return (%)				52 wk high	52 wk low
		Week	YTD	1 YR	3YR	5 YR	10 YR		
CAC 40 PR Index	3,320	-5.5	3.5	-22.6	-4.0	-13.4	-3.8	4,138	2,693
DAX 30 PR Index	6,775	-5.0	13.1	-11.3	6.7	-4.3	1.8	7,600	4,966
DJIA PR Index	13,060	-1.7	4.4	8.8	9.4	-2.1	-2.3	13,297	10,404
DJIA TR Index	24,408	-1.6	5.2	11.8	12.5	0.6	0.2	24,769	19,624
FTSE 100 PR Index	5,724	-2.3	2.4	-4.8	7.2	-9.1	-2.8	6,104	4,791
FTSE 100 TR Index	3,916	-2.3	3.5	-1.3	11.1	-5.7	0.7	n/a	n/a
FTSE/Xinhua A200	6,864	2.1	5.4	-17.1	-5.5	-3.1	n/a	9,116	6,173
Hang Seng PR Index	20,593	-0.4	9.2	-12.1	3.1	-2.5	1.8	24,469	16,170
Hang Seng TR Index	44,624	-0.4	9.6	-9.2	6.3	n/a	n/a	n/a	n/a
MSCI EAFE TR Index	4,967	-3.2	5.6	-5.8	6.1	-6.7	1.0	n/a	n/a
MSCI Emerging Markets TR	1,918	-0.6	11.4	-8.0	13.0	1.4	9.1	n/a	n/a
MSCI Europe TR Index	6,126	-3.5	5.0	-9.5	6.7	-7.3	0.9	n/a	n/a
MSCI Far East Free (ex-Japan) TR	921	0.0	11.2	-3.9	12.6	2.1	6.4	n/a	n/a
MSCI World TR Index	4,476	-1.9	7.7	2.2	9.8	-3.7	0.4	n/a	n/a
MSCI World AC TR Index	561	-1.7	8.2	0.8	10.1	-3.2	1.0	n/a	n/a
NASDAQ Composite PR	3,081	-0.9	15.5	13.9	15.3	1.5	0.8	3,134	2,299
Nikkei 225 PR	9,688	-2.9	6.0	9.8	2.7	-6.8	-1.4	10,255	8,136
Russell 2000 TR	3,717	-2.0	8.3	0.6	15.0	-1.4	1.6	n/a	n/a
Russell 2000 Growth TR	3,190	-2.0	9.1	1.5	16.7	0.5	1.3	n/a	n/a
Russell 2000 Value TR	5,858	-2.0	7.5	-0.3	13.3	-3.4	1.6	n/a	n/a
S&P 500 PR Index	1,398	-1.3	8.6	8.4	10.2	-3.5	-2.5	1,422	1,075
S&P 500 TR Index	1,853	-1.5	8.9	10.7	12.6	-1.4	n/a	n/a	n/a
Shanghai Comp PR	2,307	1.6	2.7	-17.1	-5.8	-6.0	1.5	3,067	2,133

Interest Rates	Current	Next Meeting
Bank of Canada Overnight Lending Rate	1.00%	17/04/2012
Bank of England Repo Rate	0.50%	10/05/2012
European Central Bank Min bid rate at refi tender	1.00%	03/05/2012
Federal Funds Target Rate	0.25%	25/04/2012

Commodities (\$US)	Close	Total Ret (%)		Historical Prices				52 wk high	52 wk low
		Week	YTD	1 YR	3YR	5 YR	10 YR		
Copper	380	-0.8	10.5	437	196	338	72	454	299
Corn	658	2.2	1.8	763	406	366	201	800	570
Crude Oil	103	0.3	4.5	109	51	64	26	115	75
Gold	1,636	-1.9	4.7	1,460	869	675	300	1,921	1,446
Natural Gas	2.09	-1.7	-30.1	4.15	3.73	7.61	3.28	4.98	2.06
Nickel	18,342	3.2	-2.1	26,440	10,659	51,850	6,778	27,370	16,700
Platinum	1,604	-2.1	14.5	1,794	1,146	1,250	531	1,917	1,344
Soybeans	1,434	2.2	19.6	1,377	994	761	466	1,456	1,094
Silver	31.87	-1.2	14.5	39.56	12.14	13.70	4.57	49.79	26.07
Wheat	639	-3.4	-2.2	782	557	445	277	835	565
Zinc	2,002	0.4	9.3	2,431	1,332	3,434	809	2,511	1,727

Bond Yields		Coupon	Maturity Date	Current Price	Current Yield
Canada	2 Year Treasuries	0.750	01/05/2014	99.00	1.25
	10 Year Treasuries	3.250	01/06/2021	109.33	2.12
	30 Year Treasuries	4.000	01/06/2041	126.65	2.68
ECB	2 Year Treasuries	0.250	14/03/2014	100.22	0.14
	10 Year Treasuries	2.000	04/01/2022	102.36	1.73
	30 Year Treasuries	3.250	04/07/2042	117.35	2.43
Japan	2 Year Treasuries	0.100	15/04/2014	0.11	0.11
	10 Year Treasuries	1.000	20/03/2022	0.99	0.99
	30 Year Treasuries	2.000	20/03/2042	1.95	1.95
US	2 Year Treasuries	0.250	31/03/2014	99.87	0.32
	10 Year Treasuries	2.000	15/02/2022	99.51	2.06
	30 Year Treasuries	3.125	15/02/2042	98.22	3.22

Currencies	Close	Total Ret (%)		Historical Prices				52 wk high	52 wk low
		Week	YTD	1 YR	3YR	5 YR	10 YR		
CAD / EURO	0.77	1.98	1.40	0.73	0.60	0.65	0.72	0.78	0.70
CAD / USD	1.00	0.16	2.45	1.04	0.81	0.87	0.63	1.06	0.94
CAD / UK POUND	0.63	0.98	0.32	0.64	0.55	0.44	0.44	0.66	0.61
USD / AUSTRALIAN \$	0.97	0.37	-0.96	0.96	1.40	1.22	1.88	1.07	0.90
USD / BRAZIL REAL	1.82	-0.16	-2.30	1.61	2.22	2.03	2.28	1.95	1.53
USD / EURO	0.76	1.89	-1.00	0.70	0.75	0.75	1.14	0.79	0.67
USD / MEXICAN PESO	12.98	1.35	-6.83	11.81	13.59	10.97	9.01	14.31	11.48
USD / UK POUND	0.63	0.85	-2.11	0.61	0.68	0.51	0.70	0.66	0.60
USD / YEN	81.64	-1.48	6.15	85.49	100.99	119.26	131.58	85.16	75.35