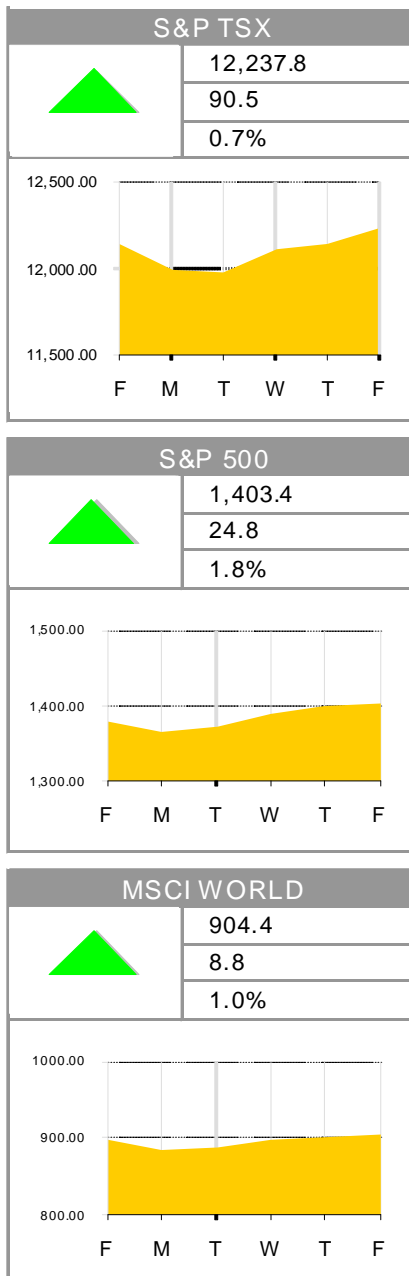


# AGF Week in Review

For the week ended April 27, 2012



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Source: Bloomberg, Local Currency

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## Week in review

### Canada expands in 2011, earnings rise slightly

- All the provinces and territories excluding the Northwest Territories showed an increase in real gross domestic product (GDP) for 2011, registering a national gain of 2.6%, after 3.4% growth in 2010. Nunavut, Yukon, Alberta and Saskatchewan showed the largest gains.
- Alberta registered a 5.2% gain in real GDP as high oil pricing led to increased exploration activity as well as oil and gas-related construction. Saskatchewan saw 4.8% growth as crop production rose by 10%, and higher demand for the province's exports.
- Average non-farm payroll earnings rose marginally month-over-month by 0.2% or 1.8% on a year-over-year basis, to \$885.45 per week. On a year-over-year basis, Saskatchewan saw the highest growth in earnings at 5.0%, while Ontario saw the smallest growth at 0.7%.

Source: Statistics Canada

### Canadian retail trade declines in February, wholesale trade rises

- Reversing January's gain, retail sales slid by 0.2% to \$38.9 billion in February. Sales declined in five of 11 sub-sectors, with lower sales at new car dealers largely responsible for the downward move.
- Six provinces registered lower retail sales, with Ontario showing the largest absolute dollar decline month-over-month, while Nunavut and Prince Edward Island slowed by 4.4% and 2.6%, respectively. The Northwest Territories and the Yukon showed the largest percentage gains at 3.7% and 2.4%, respectively.
- On a positive note, wholesale trade rose by 1.6% in February to \$48.5 billion, reversing January's decline. Wholesale sales in the motor vehicles sub-sector showed the largest dollar gain, rising by 2.7% to \$7.7 billion in the month.
- Eight of 10 provinces reported increases in wholesale sales during the month, with only Prince Edward Island and Quebec reporting declines. Inventories also rose during the month by 1.1%, rising for the 13<sup>th</sup> time in the last 14 months.

Source: Statistics Canada

### PotashCorp reports first quarter results, lowers full-year guidance

- Potash Corporation of Saskatchewan Inc. reported solid results during the quarter with earnings of US\$0.56 per share, or US\$491 million. This declined from US\$0.84 per share in the same quarter a year ago, as potash sales and production slowed.
- Potash sales declined to US\$583 million from US\$1.1 billion in the first quarter of 2011, and production of potash declined to 1.2 million tonnes from 2.8 million tonnes, impacted by slowing global demand for the commodity.
- Phosphate production increased by 4.1% to 930,000 tonnes and net sales increased by 13.0% to US\$572 million, as the company realized a higher average sales price in the fertilizer, feed and industrial categories. Nitrogen sales and production remained relatively stable.
- CEO of PotashCorp Bill Doyle stated, "Although we anticipated that an increase in global fertilizer purchasing would not take hold until the latter half of the first quarter, it took longer than we expected for demand to emerge. While the timing of that change was difficult to predict, the

direction was not. We expect the acceleration in potash demand that began at the very end of the quarter will continue, supporting increased volumes through the remainder of the year.”

Source: Potash Corporation of Saskatchewan Inc.

## **Goldcorp Inc. reports increase in first quarter revenues, but earnings decline**

- Goldcorp reported net earnings of US\$479 million for the first quarter of 2012, declining from US\$651 million in the first quarter of 2011. However, over the same period, revenues increased by 10.9% to US\$1.3 billion, as the average realized gold price rose by 22.5% over the same period to US\$1,707 per ounce even as the company sold 13.0% less gold.
- The company’s Mexican operations progressed well during the quarter, as it commissioned the final component of Penasquito’s processing line. The company’s projects in the Dominican Republic and Argentina have also been making solid headway.
- The company faced difficult ground conditions at its Red Lake project in Ontario, which delayed access to high-grade mineralization zones. The company also ran into lower-than-expected ore grades and inconsistent mineralization in the Campbell and Footwall zones, respectively. However, the company did manage to generate 114,200 ounces of gold during the quarter at Red Lake.

Source: Goldcorp Inc.

## **U.S. economy shows a first quarter expansion, albeit smaller than last quarter**

- The United States grew in the first quarter at an annualized rate of 2.2%, although this was slower than the 3% rate of growth in the fourth quarter. Although lower than median Bloomberg News-surveyed economists’ expectations for a 2.5% increase, the United States continues to register successive periods of growth, which is crucial for its economic recovery.
- The advance data showed real consumer spending rose by 2.9%, faster than the fourth quarter, as durable goods rose 15.3%, nondurables by 2.1% and services by 1.2%. Exports and residential fixed investment also rose. This was offset to some extent by reduced federal, state and local government spending.
- The data was in line with the tone set by an earlier U.S. Federal Reserve news release, which remained cautiously optimistic regarding growth. Growth is expected to moderate over the near term and may “pick up gradually.”

Source: U.S. Department of Commerce, *The Globe and Mail*

## **Apple reports excellent results for its second quarter**

- In its fiscal second quarter ended March 31, 2012, the company reported US\$11.6 billion in net income, or a considerable 94.1% increase in quarterly net profit year-over-year. Gross margins as a proportion of net sales have increased considerably, rising to 47.4% from 41.4% in the fourth quarter of 2011.
- For the quarter, Apple sold over 35.1 million iPhones and 11.8 million iPads. On a per-unit basis, these were growth increases of 88% and 151%, respectively, over the same quarter a year ago. Net sales have increased by over 58.9%, to US\$39.2 billion, over the same period.
- The company expects revenue of US\$34 billion and diluted earnings of US\$8.68 per share in the third quarter. Apple’s CEO Tim Cook was highly optimistic, stating, “The new iPad is off to a

great start, and across the year you're going to see a lot more of the kind of innovation that only Apple can deliver."

Source: Apple Inc.

## **Altria Group reaffirms 2012 earnings guidance**

- Compared to the first quarter of 2011, net revenues for the Altria Group Inc. largely remained flat in the same quarter of 2012, at US\$5.6 billion. Excise taxes and marketing, administrative and research costs declined by 2.8% and 12.3%, respectively, to raise diluted earnings by 6.7% to US\$0.48 per share.
- As can be seen from the reduction in marketing, administrative and research costs, the firm's cost reduction program is taking effect. When initially announced in 2011, the cost-cutting plan was expected to generate US\$400 million in annual savings.
- Altria expects its 2012 full-year guidance for earnings to range from US\$2.14-2.20 per diluted share, which also includes estimated charges due to the cost reduction program.

Source: Altria Group Inc.

## **U.K. economy contracts for the second quarter in a row**

- According to the Office for National Statistics, GDP declined 0.2% from the fourth quarter of 2011. This is the second quarterly decline in a row, meeting the technical definition of a recession, after GDP declined by 0.3% in the fourth quarter.
- A large proportion of the decline was due to an output decrease in the construction sector, which slowed by 3.0% in the first quarter this year. Production output also declined by 0.4%. This was offset to some extent by a 0.1% increase in the service industry output.
- Policymakers will be hard pressed to continue austerity policies, although Chancellor of the Exchequer George Osborne did state, "The one thing that would make the situation even worse would be to abandon our credible plan and deliberately add more borrowing and even more debt."

Source: Office for National Statistics

## **Royal Dutch Shell posts earnings gain**

- For its first quarter of 2012, Royal Dutch Shell increased its basic earnings to US\$7.7 billion, compared to US\$6.9 billion in the first quarter of 2011. On a current cost of supplies basis, basic earnings rose by 10% to US\$1.23 per share.
- Production began at its Caesar/Tonga project in the Gulf of Mexico, and Shell's major Pearl GTL project in Qatar is on course to attain full capacity in 2012. The company currently has 26 projects that are being developed globally.
- CEO of Shell Peter Voser stated, "Shell sold US\$2.4 billion of upstream and downstream positions during the quarter, enhancing our financial flexibility and capital efficiency, and unlocking new growth potential. Asset sales for 2012 are likely to be over US\$4 billion, compared with our earlier guidance of US\$2-3 billion."

Source: Royal Dutch Shell PLC

## The week ahead

- **Canadian economic releases** – Real GDP (Feb.), Ivey PMI (Apr.)
- **U.S. economic releases** – ISM manufacturing (Apr.), Chicago PMI (Apr.), unemployment rate (Apr.), personal income (Mar.)

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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	12,238	0.7	2.4	-11.9	9.2	-2.1	4.8	14,089	10,848
S&P/TSX Composite TR Index	34,403	0.9	3.3	-9.4	12.3	0.7	7.4	n/a	n/a
Energy TR	3,469	2.9	-0.8	-15.1	9.2	-0.8	n/a	n/a	n/a
Materials TR	3,391	-0.1	-5.6	-24.3	10.5	4.2	n/a	4,601	3,284
Industrials TR	1,673	1.8	5.3	2.1	18.2	3.2	n/a	1,700	1,336
Consumer Disc. TR	1,316	0.7	15.5	-0.8	12.9	-2.8	n/a	1,344	1,094
Consumer Staples TR	2,293	1.0	11.4	15.3	13.8	3.7	n/a	2,293	1,881
Health Care TR	1,115	-1.0	22.6	20.3	54.2	15.6	n/a	1,134	723
Financials TR	2,481	0.1	10.8	0.0	16.9	0.6	n/a	2,529	2,064
Information Technology TR	113	2.8	2.9	-50.3	-26.7	-15.3	n/a	209	106
Telecom Services TR	1,509	-1.9	-2.3	16.9	20.4	3.4	n/a	1,546	1,298
Utilities TR	3,273	2.3	2.8	9.6	19.5	6.7	n/a	3,298	2,779
S&P/TSX 60 TR Index	1,580	0.6	3.2	-9.9	9.8	0.4	n/a	1,763	1,435
MSCI Canadian Small Cap PR Index	335	1.0	1.4	-15.5	20.8	-1.3	5.6	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	3,266	1.7	2.0	-25.6	-5.0	-14.0	-3.8	4,138	2,693
DAX 30 PR Index	6,801	0.0	13.8	-14.9	5.7	-4.7	2.3	7,600	4,966
DJIA PR Index	13,228	0.5	4.4	7.0	10.0	-2.4	-1.8	13,297	10,404
DJIA TR Index	24,737	0.5	5.3	10.0	13.1	0.3	0.7	24,769	19,624
FTSE 100 PR Index	5,777	-0.2	4.8	-4.0	7.4	-8.5	-2.4	6,104	4,791
FTSE 100 TR Index	3,961	0.0	6.2	-0.4	11.4	-5.0	1.1	n/a	n/a
FTSE/Xinhua A200	7,162	-0.9	8.3	-12.2	-3.3	-4.6	n/a	8,671	6,173
Hang Seng PR Index	20,741	-2.3	8.6	-10.7	4.1	-2.2	1.4	23,924	16,170
Hang Seng TR Index	44,979	-2.3	9.1	-7.8	7.3	n/a	n/a	n/a	n/a
MSCI EAFE TR Index	5,038	-0.2	5.4	-7.9	5.4	-6.7	1.1	n/a	n/a
MSCI Emerging Markets TR	1,890	-1.2	8.1	-10.4	12.0	0.8	8.8	n/a	n/a
MSCI Europe TR Index	6,252	0.1	5.5	-11.1	6.0	-7.3	1.1	n/a	n/a
MSCI Far East Free (ex-Japan) TR	914	-1.1	8.6	-7.2	12.5	1.9	6.0	n/a	n/a
MSCI World TR Index	4,519	0.4	7.0	0.1	9.1	-3.8	0.7	n/a	n/a
MSCI World AC TR Index	565	0.2	7.1	-1.3	9.4	-3.4	1.3	n/a	n/a
NASDAQ Composite PR	3,069	1.2	13.7	9.8	13.9	1.0	1.5	3,134	2,299
Nikkei 225 PR	9,521	-0.1	3.9	3.4	1.9	-6.5	-1.9	10,255	8,136
Russell 2000 TR	3,752	1.6	7.9	0.2	13.9	-1.3	1.6	n/a	n/a
Russell 2000 Growth TR	3,215	1.8	8.5	0.0	15.3	0.4	1.5	n/a	n/a
Russell 2000 Value TR	5,922	1.4	7.3	0.4	12.5	-3.2	1.6	n/a	n/a
S&P 500 PR Index	1,403	0.7	7.6	6.3	9.7	-3.8	-2.0	1,422	1,075
S&P 500 TR Index	1,841	0.8	8.2	8.4	12.2	-1.6	n/a	n/a	n/a
Shanghai Comp PR	2,396	-1.4	5.1	-13.0	-4.5	-7.3	1.9	2,933	2,133

<i>Interest Rates</i>	Current	Next Meeting
Bank of Canada Overnight Lending Rate	1.00%	05/06/2012
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%	20/06/2012

<i>Commodities (\$US)</i>	Close	Total Ret (%)		Historical Prices				52 wk high	52 wk low
		Week	YTD	1 YR	3YR	5 YR	10 YR		
Copper	382	3.3	11.2	423	199	351	74	454	299
Com	653	6.6	1.0	752	372	364	196	800	570
Crude Oil	105	1.8	6.2	113	50	66	27	115	75
Gold	1,663	1.2	6.3	1,527	907	682	311	1,921	1,462
Natural Gas	2.19	13.4	-26.9	4.38	3.25	7.83	3.32	4.98	1.90
Nickel	18,040	1.6	-3.7	26,618	11,322	50,300	7,128	27,001	16,700
Platinum	1,573	-0.5	12.2	1,826	1,144	1,288	553	1,917	1,344
Soybeans	1,497	3.5	24.9	1,378	1,005	723	468	1,509	1,094
Silver	31.27	-1.4	12.3	47.85	12.91	13.54	4.62	48.15	26.07
Wheat	642	4.3	-1.6	777	508	501	258	835	565
Zinc	2,033	0.8	11.0	2,227	1,351	3,668	815	2,511	1,727

<i>Bond Yields</i>		Coupon	Maturity Date	Current Price	Current Yield
Canada	2 Year Treasuries	0.750	01/05/2014	98.68	1.42
	10 Year Treasuries	3.250	01/06/2021	109.59	2.09
	30 Year Treasuries	4.000	01/06/2041	127.69	2.63
ECB	2 Year Treasuries	0.250	14/03/2014	100.28	0.10
	10 Year Treasuries	1.750	04/07/2022	100.48	1.70
	30 Year Treasuries	2.500	04/07/2044	102.38	2.39
Japan	2 Year Treasuries	0.100	15/05/2014	0.10	0.10
	10 Year Treasuries	1.000	20/03/2022	0.89	0.89
	30 Year Treasuries	2.000	20/03/2042	1.89	1.89
US	2 Year Treasuries	0.250	30/04/2014	99.98	0.26
	10 Year Treasuries	2.000	15/02/2022	100.57	1.94
	30 Year Treasuries	3.125	15/02/2042	100.03	3.12

<i>Currencies</i>	Close	Total Ret (%)		Historical Prices				52 wk high	52 wk low
		Week	YTD	1 YR	3YR	5 YR	10 YR		
CAD / EURO	0.77	0.91	1.88	0.71	0.63	0.66	0.71	0.78	0.70
CAD / USD	1.02	1.21	4.19	1.05	0.82	0.90	0.64	1.06	0.94
CAD / UK POUND	0.63	0.30	-0.43	0.63	0.56	0.45	0.44	0.66	0.61
USD / AUSTRALIAN \$	0.96	-0.87	-2.51	0.92	1.41	1.21	1.84	1.07	0.90
USD / BRAZIL REAL	1.89	0.82	1.12	1.57	2.22	2.03	2.37	1.95	1.53
USD / EURO	0.75	-0.24	-2.20	0.68	0.77	0.73	1.11	0.79	0.67
USD / MEXICAN PESO	12.97	-1.02	-6.95	11.52	14.05	10.92	9.33	14.31	11.48
USD / UK POUND	0.61	-0.89	-4.46	0.60	0.68	0.50	0.69	0.66	0.60
USD / YEN	80.27	-1.53	4.37	82.16	96.77	119.63	127.87	84.18	75.35

Sourced from Bloomberg, as at April 27, 2012