

Monthly Newsletter October 2011

Hello Everyone:

Waiting to Exhale! While the financial world is panting in anticipation for a great panacea to resolve the EU's debt woes today, at the very least a Euro TARP, I expect the outcome will be somewhat disappointing. Much like the unseemly US showdown to unplug the debt ceiling this summer, the details are not prepared and this will take time and geopolitical arm twisting to implement. In the interim, investors find this garish process very unsettling!

I was watching Jim Cramer the other night and I often find that when he is not being frenetic or making crude noises, he often makes sense. His attitude towards the EU crisis is that yes, it's worrisome, but could we please get back to looking at earnings for US companies! Good earnings and undervalued US companies have been overshadowed by Europe's indebtedness.

In an article in ROB titled Economic Pessimism That Goes Too Far, Eric Lascelles, chief economist at RBC Global Asset Management, makes several good points:

- (a) economic data has mostly stopped deteriorating and in some cases are timidly rebounding;
- (b) recession risk models indicate that we are probably not in a recession right now;
- (c) Greek default is inevitable and Euro banks need \$250Bil. to recapitalize but this is just 3% of the Eurozone GDP;
- (d) US experience with TARP indicates that governments can get their money back; and
- (e) the European Central bank has been doing an excellent job providing liquidity.

In other words, this crisis is certainly not over but let's not overlook market opportunities. As the old maxim goes `Wall Street climbs a wall of worry`.

Housekeeping. The transition to NBCN appears to be going smoothly and presumably everyone has had a letter from NBDB in this regard. Hopefully only User IDs and Passwords will have to be changed.

New ETFs. I have heard that there will be a couple of very interesting Covered Call ETFs coming to market; one is income focused based on Cdn utilities and telcos and the other on the Dow Jones, USD hedged, which could be very attractive for growth in sluggish markets. I will watch how these trade and make a decision from there.

If you have any questions, I would be glad to hear from you.

Regards

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