

April 30, 2008

**Economic Indicators**  
Canada

	Dec. 2007	Mar. 2008	
GDP <sup>(1)</sup>	2.7	1.5 <sup>(2)</sup>	↘
CPI <sup>(1)</sup>	2.4	1.4	↘
Unemployment	5.9	6.0	↗

United States

	Dec. 2007	Mar. 2008	
GDP <sup>(1)</sup>	2.2	2.5	↗
CPI <sup>(1)</sup>	4.1	4.0	↘
Unemployment	5.0	5.1	↗

(1) Year-over-year % variation

(2) February 2008

Sources: Statistics Canada, U.S. Dept. of Commerce, U.S. Dept. of Labor Statistics.

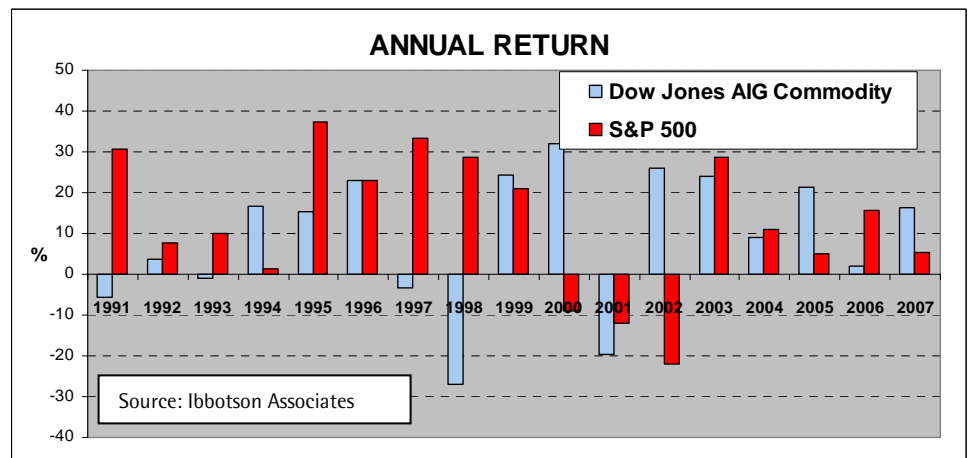
**Equity Indices**

% Change	2008 in local currency	2008 in C\$	
S&P/TSX	-	-	-
S&P500	-5.3	-3.7	↘
Russell 2000	-6.2	-4.6	↘
Nikkei	-9.5	-1.7	↘
S&P 350 Europe	-12.1	-4.7	↘

**COMMODITIES INVESTING - PART 1**

In recent weeks, the rising price of commodities has been abundantly documented by the press. Populations of poor countries are struggling to cover the rising cost of feeding their family. Steel producers are paying hefty price increases to iron ore producers in order to secure supply. Here at home, Canadians are paying ever rising prices to fill their car tank. But commodities have also caught the eye of many institutional investors; this article will identify some of the key reasons of this interest.

**1- Diversification:** The graph below depicts the yearly returns for both the S&P500 Stock Index and the Dow Jones AIG Commodity Index from 1991 to 2007. In a majority of instances, these indices exhibit very different returns.



**2- Protection against inflation:** Rising inflation is often, if not always, associated with rising commodity prices. Investing in commodities ensures that at least some part of the portfolio will benefit (rather than suffer) from inflation increases.

**3- (Presumably) equity-like expected returns:** All sorts of studies, both empirical and theoretical, have led some investors to believe that holding a diversified basket of commodities for the long term is likely to produce a high return (like equities) rather than a low return (like bonds).

This article overviewed the main reasons for the interest of institutional investors in commodities. Next month, we will review how these institutions typically implement their commodity investments.

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