

Goldman and the Three PIIGS

Equity markets stumbled this week as Goldman Sachs faced fraud charges, and downgrades of three of the PIIGS nations triggered more sovereign debt concerns. Greece, Portugal and Spain had their credit ratings lowered, with the former now carrying junk status. Meantime, weakness in the financials dragged the S&P 500 down 2.5% despite a continued flood of upbeat earnings reports, while the TSX was spared, slipping just 0.2% as the banks were little-impacted by the Goldman saga and gold stocks surged. Meantime, the declines were much more pronounced in Europe with France and the U.K. each down more than 3%, and Portugal, Spain and Italy down 4%-5%. Impressively, Greece managed to pull out a 0.7% gain late in the week amid news of an aid package and more aggressive austerity measures.

While the damage was limited in North America, Chinese stocks continue to reel, down another 3.8% this week, partly because of the country's economic ties to Europe, and partly because of the government's ongoing effort to cool the property market. That brings the year-to-date decline in the CSI300 to 14.2%, but the index still sits 8% above the lows set in August-09—that is becoming an important level to watch.

EarningsWatch... The earnings party raged on this week with better-than-expected results continuing to filter in across a wide range of sectors. With almost two-thirds of the index now reporting, an impressive 83% of S&P 500 companies have beaten earnings expectations, while a solid 69% have posted revenue surprises—both are on pace to top the prior quarter. Meantime, the Canadian earnings season is also

shifting into high gear. While it's still early (about 20% of TSX companies have reported), a solid 63% have beaten earnings expectations. Here are some highlights from the week:

Canadian rails... CN increased its 2010 outlook, while CP beat estimates on cost cuts and higher volumes.

Potash Corp... Increased 2010 earnings outlook, but still trail expectations. Production to rebound sharply.

Caterpillar... Increased 2010 outlook. *"The main driver behind our improved outlook is robust growth in Asia/Pacific and Latin America and continued improvement in mining and energy globally."*

GE... *"Your dividend is going up again soon."*

IBM... Increased its dividend by 18% and added \$8 bln to its buyback program.

Whirlpool... *"By continuing to drive productivity improvements...we are able to expand operating margins and accelerate profitable growth."*

Market Performance as of April 30, 2010

	Current Price	Performance (percent)					
		1 Week	1 Month	3 Months	1 Year	YTD	2009
NIKKEI 225	11,057	1.3	-0.4	8.4	25.3	4.8	19.0
S&P/TSX	12,211	-0.2	1.4	10.1	30.9	4.0	30.7
S&P/ASX 200	4,834	-1.6	-1.9	5.2	29.1	-1.0	33.4
Dow Jones	11,009	-1.7	0.9	9.3	34.8	5.6	18.8
DAX	6,136	-2.0	-0.1	9.4	28.6	3.0	23.8
S&P 500	1,187	-2.5	1.1	10.5	36.0	6.4	23.5
NASDAQ	2,461	-2.7	2.1	14.6	43.3	8.5	43.9
FTSE 100	5,553	-3.0	-2.1	7.0	30.9	2.6	22.1
CAC 40	3,817	-3.4	-4.3	2.1	20.8	-3.0	22.3

Source: Bloomberg

Earnings Season Summary (% beating estimates)

	2010Q1*	2009Q4	2009Q3	2009Q2
Earnings per share				
TSX	63.0	49.8	52.9	52.7
S&P 500	82.7	76.4	82.3	72.3
Revenue				
TSX	42.2	46.2	40.3	44.4
S&P 500	69.3	67.8	59.1	50.9

*Earnings season to date. Source: Bloomberg.

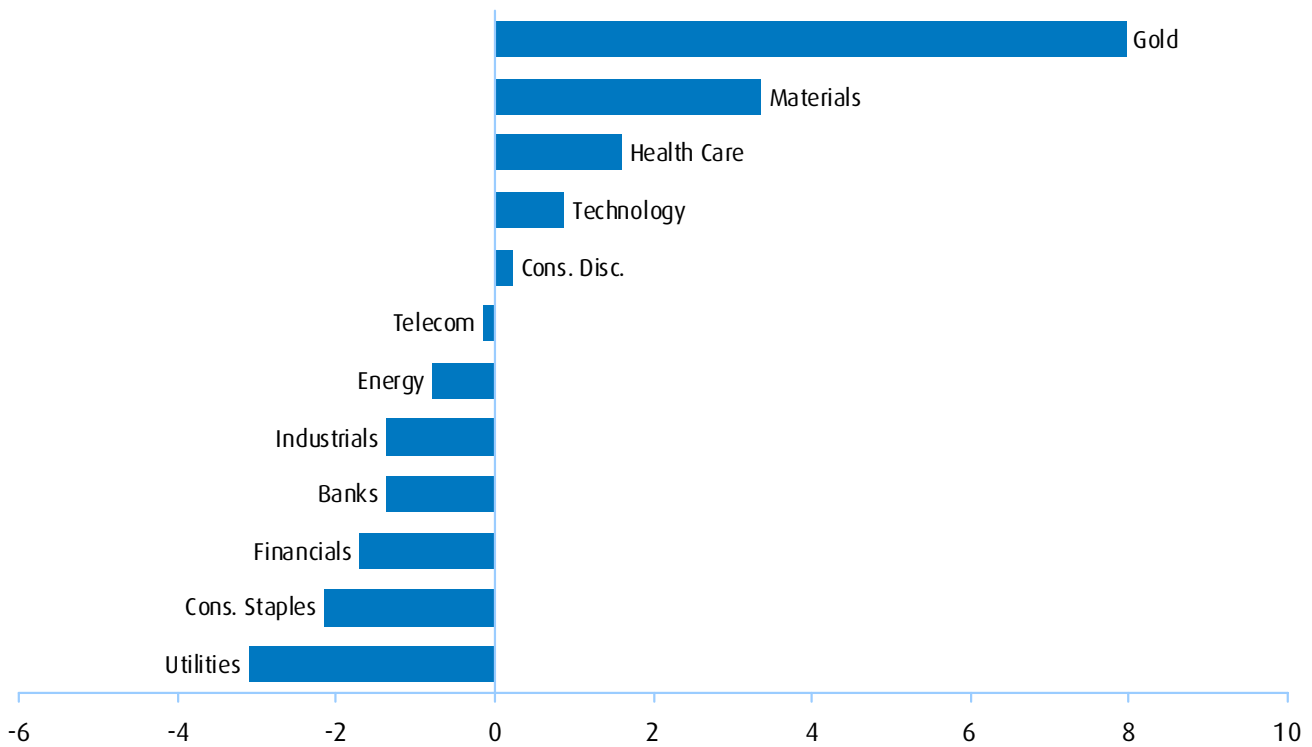
Ford... Boosting North American production; strong consumer demand and needs to replenish dealer lots.

3M... Increased 2010 outlook. *"By any measure, we are off to a tremendous start in 2010."*

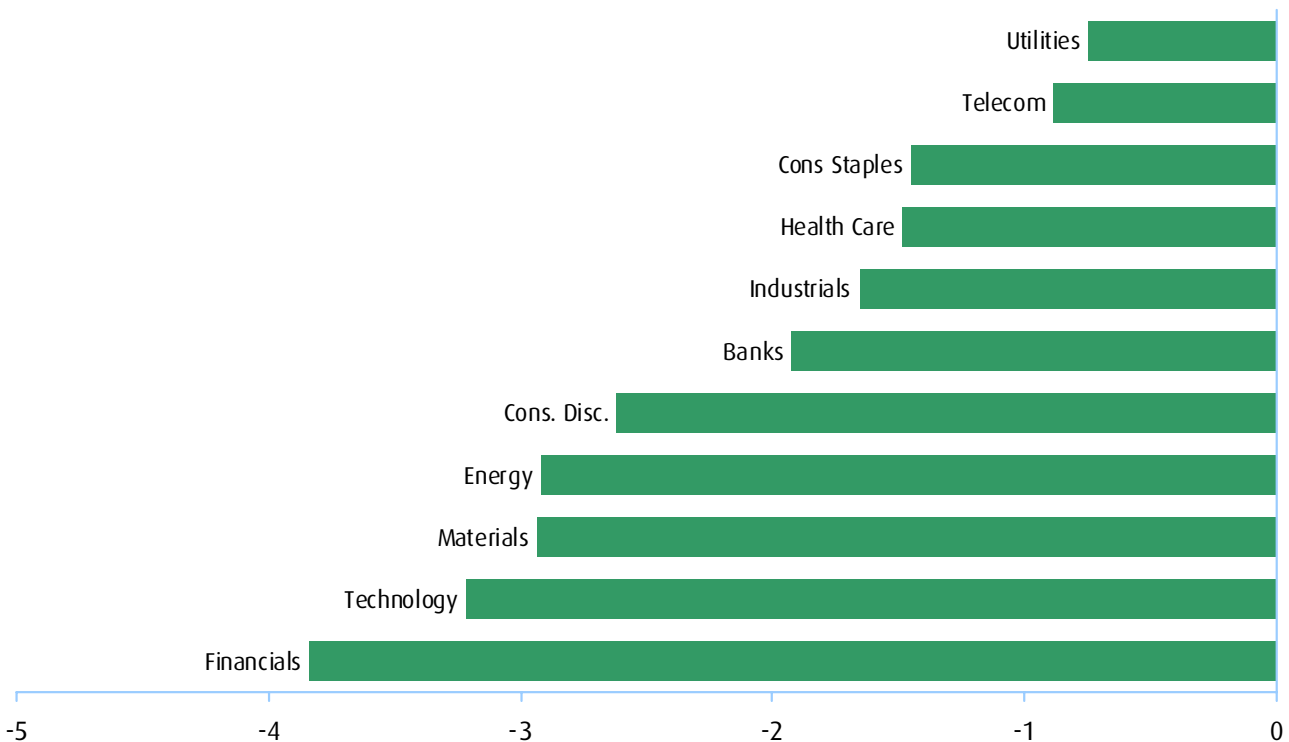
Dow Chemical... Seeing strong growth in Asia, and rebounds in Europe and the U.S.

Weekly Sector Performances as of April 30, 2010

TSX (percent)

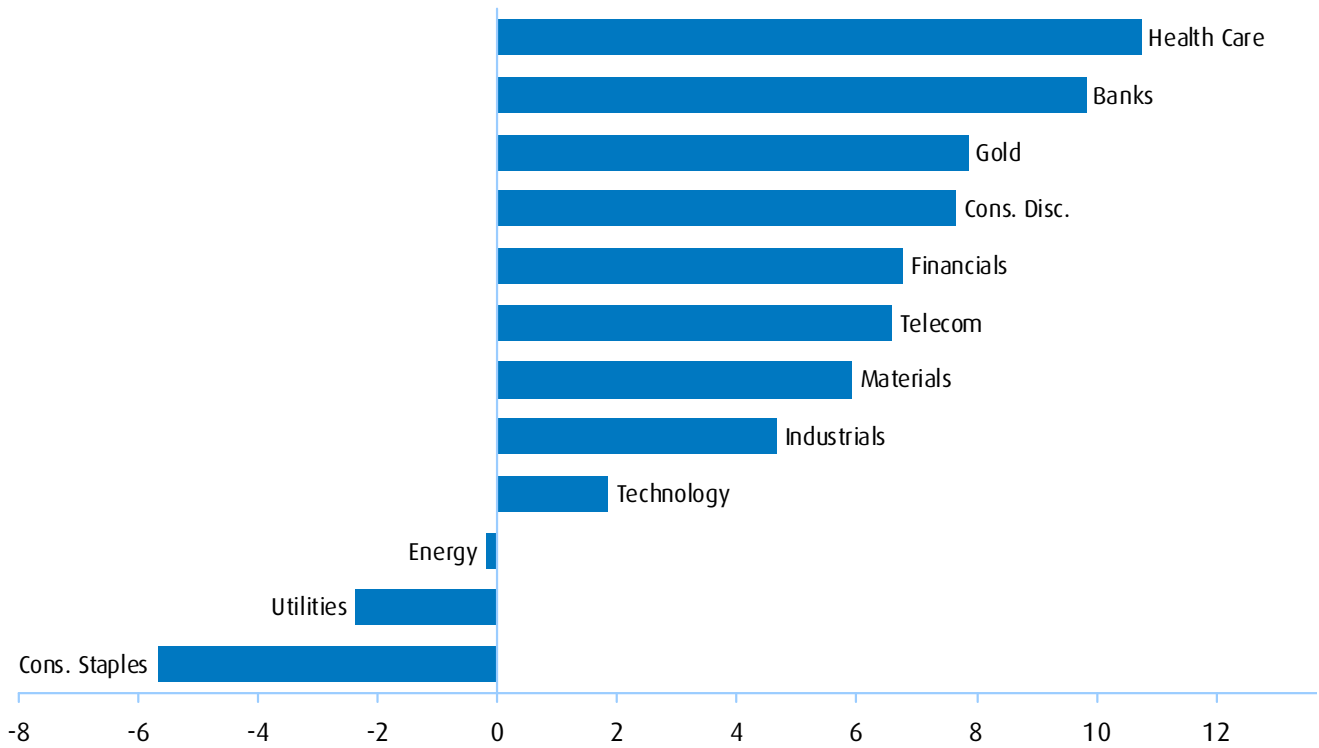


S&P 500 (percent)

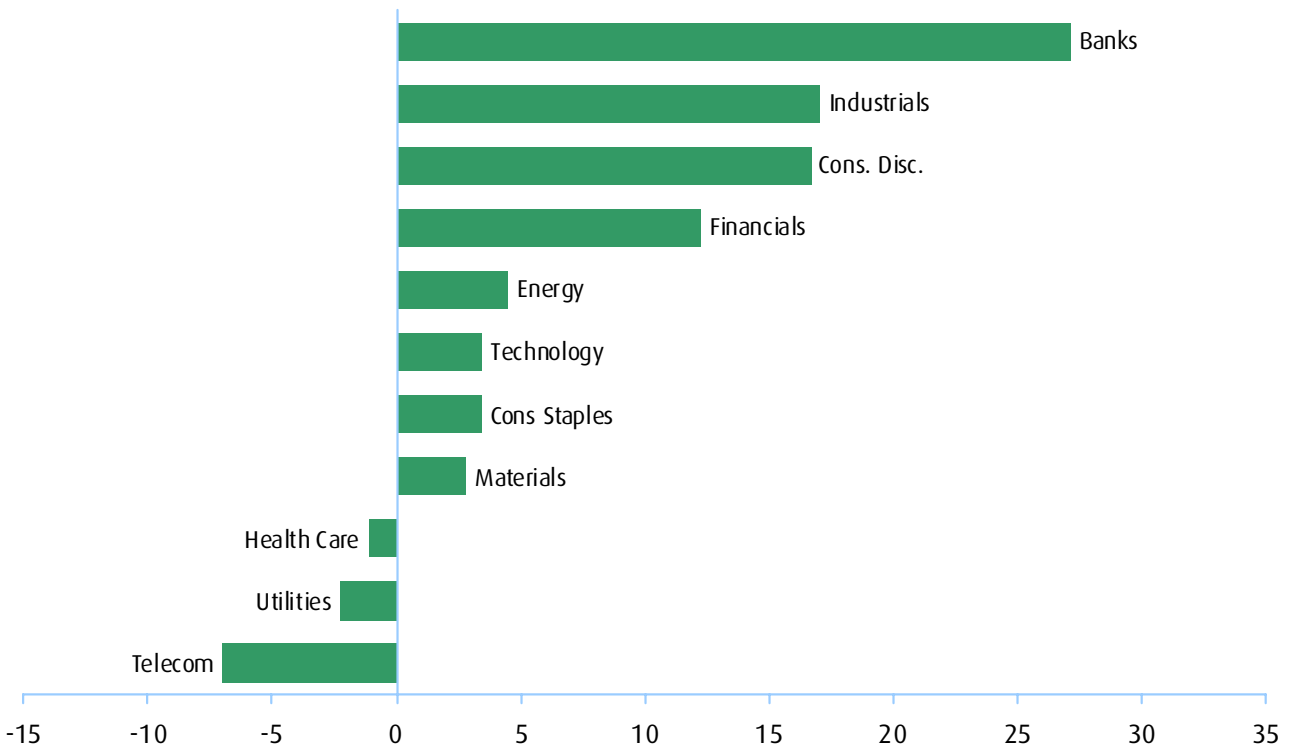


Year-to-Date Sector Performances as of April 30, 2010

TSX (percent)



S&P 500 (percent)



North American Sector Performances as of April 30, 2010

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2009
Utilities	-0.7	2.1	3.0	17.9	-2.3	6.8
Telecom Services	-0.9	-1.9	2.6	2.0	-7.0	2.6
Cons Staples	-1.5	-2.1	4.7	25.8	3.4	11.2
Health Care	-1.5	-4.2	-1.5	27.7	-1.1	17.1
Industrials	-1.7	3.5	18.5	49.0	17.1	17.3
Banks	-1.9	8.2	16.8	64.0	27.2	-8.9
Cons Discretionary	-2.6	5.2	20.2	49.5	16.7	38.8
Energy	-2.9	4.8	9.5	26.2	4.5	11.3
Materials	-2.9	-0.1	12.6	33.5	2.8	45.2
Information Technology	-3.2	1.1	13.0	42.0	3.5	59.9
Financials	-3.8	1.5	13.9	49.6	12.3	14.8
S&P 100 Large Cap	-2.2	0.6	9.1	33.1	5.1	19.1
S&P 400 Mid Cap	-3.1	3.6	17.1	46.7	13.3	35.0
S&P 600 Small Cap	-3.4	4.8	18.7	46.1	14.6	23.8
S&P 500	-2.5	1.1	10.5	36.0	6.4	23.5

TSX Sectors

Gold	8.0	16.3	20.1	35.4	7.9	5.7
Materials	3.4	6.1	15.6	43.4	5.9	33.4
Health Care	1.6	0.3	13.1	40.2	10.7	28.6
Information Technology	0.9	-5.1	6.3	-5.4	1.8	44.3
Cons Discretionary	0.2	1.5	8.1	25.5	7.7	11.1
Telecom Services	-0.1	1.6	9.3	20.6	6.6	0.7
Energy	-0.8	3.0	6.5	26.3	-0.2	35.0
Industrials	-1.4	-1.1	10.5	31.7	4.6	23.7
Banks	-1.4	1.2	17.8	51.2	9.8	54.4
Financials	-1.7	-0.7	12.2	39.0	6.8	38.3
Cons Staples	-2.1	-5.2	-3.0	6.3	-5.7	6.1
Utilities	-3.1	-4.6	1.1	23.3	-2.4	12.7
REITs	-0.1	0.7	2.5	54.9	4.2	42.4
Income Trusts	-1.0	0.9	7.3	40.8	5.9	29.5
S&P/TSX 60 Large Cap	-0.2	1.3	10.4	26.6	3.3	27.9
S&P/TSX Small Cap	-0.2	2.6	10.9	61.0	7.4	56.2
S&P/TSX Mid Cap	-0.3	1.8	8.8	49.0	6.3	41.7
TSX	-0.2	1.4	10.1	30.9	4.0	30.7

Source: Bloomberg

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