

August 15, 2011

A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.

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Topic: What To Do?

In last week's Clarion, I opined that the decision by S&P to downgrade the sovereign rating of the United States was wrong. It is incomprehensible, to me, that the United States, being the most powerful, the most versatile, the most influential country in the world, could have a rating (AA+ with, I might add, a Negative Trend), that is lower than that of 18 other countries.

Has S&P now opened Pandora's Box? How many of these triple-A-rated countries are going to be downgraded in the weeks and months ahead? That's a scary thought! What is that going to do to global bond markets?

Let me take this scenario one step further, and say that I think the S&P ratings downgrade is irrelevant and should be ignored. More learned and influential people than I have already said so.

On July 7, the head of the European Central Bank, Jean-Claude Trichet, threw a crucial lifeline to Portugal that the ECB had already extended to Ireland and Greece, by choosing to ignore downgrades by ratings agencies and pledging to keep allowing those countries' banks to swap sovereign debt for fresh loans.

The market, itself, also agrees. Normally, when a ratings downgrade occurs, the cost to issue goes up and, therefore, the bonds of the Issuer decline in price. So, U.S. Treasuries should have gone down last week. In fact, they went up ... a lot! With yields now down to just above 2%, an increasing number of advisors are saying "Sell". But that is another story.

If nothing else, the S&P decision has focused worldwide attention on the weakened financial position of the United States. That Pax America must get its financial house in order is without question. And the squabbling in the House of Representatives has weakened U.S. influence on the world's stage. This has created considerable uncertainty, as evidenced by the violent swings in the markets last week. My generation has never witnessed such see-saw turbulence.

The United States is a mess! Europe is a mess! None of the BRIC countries is yet ready to take a leading position.

Stock-of-the-Week

Will return

The United States will sort itself out. It always has. But, in this instance, it is going to take some time. Maybe a long time.

I am begrudgingly coming to the conclusion that this is going to react negatively on Western-World stock markets, maybe for an extended time.

The Fed is running out of options. In my view, a further round of fiscal stimulus, although it would probably be positive for the stock market in the short term, would be dead wrong. Piling on even more debt, without a clear, concerted plan to address the real issues, just digs the U.S. into a deeper hole. Its deficit is already out of control: \$53.1 billion, and counting.

So, what does an Investor do? Gold is already up 23% this year, and 44% over the last 12 months. Many believe it is going a lot higher. But seeking safety in a single type of investment has never been prudent. And a commodity at that! A commodity with limited industrial uses. Very scary!

In every market, some companies and their stocks will do well. But trying to determine which ones is very difficult. If you want to be in stocks, I would emphasize quality. Choose the leading company in those industries that are essential to global needs. An example is agriculture.

Although a little more difficult to pinpoint, you can also look at companies that offer a product or service in a niche sector that everyone wants to have. An example is Apple and its award-winning iPhone and iPad. Ideally, find a company that is on the verge of a technological break-through. Like Microsoft before the PC burst on to everybody's desk-top.

You want investments that let you sleep well at nights. Cash and GICs provide that, but offer miniscule returns. They are not going to provide a suitable retirement nest-egg.

I advise selling speculative, at-risk investments, and have an appropriate cash holding with stocks from a mix of top-quality companies.

I also recommend being nimble. If a stock investment that looked promising when you bought it, but it doesn't turn out, be prepared to sell to limit your losses.

As that old market adage says, "Sell your losers, and run your winners."

Bob Weir, CFA, and Director of Research

**New eResearch
Material Since
August 8, 2011:**

1. Initiating Reports

None

**2. Update Reports
and Bulletins**

[Westaim Corp.](#)
08/11/2011

[CI Financial Corp.](#)
08/11/2011

[IGM Financial Inc.](#)
08/11/2011

[Power Financial](#)
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[Industrial-Alliance
Insurance](#)
08/09/2011

[Sun Life Insurance](#)
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3. Analyst Articles

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BriefCase

NewsBytes from August 8 - August 12, 2011

Additional information on the companies featured in NewsBytes may be found at www.sedar.com, and at www.eresearch.ca.

For the latest eResearch publications, see sidebar opposite.

Liberty Mines Inc. (\$0.08 - August 8, 2011; LBE-TSX) Liberty Mines, a producer of nickel, has reported an operating loss of \$4.3 million for Q2/2011, with no revenue in the quarter compared with a loss of \$5 million on revenue of \$6.9 million in Q2/2010. Production was halted in the first quarter of the year as a result of issues with the Company's tailings pond facility (TPF). Liberty owns and operates the Redstone nickel concentrator near Timmins, Ontario.

Integrated Asset Management (\$0.77 - August 8, 2011; IAM-TSX) (1) Integrated Asset Management confirmed that the record date for payment of the \$0.05 per share dividend is August 16, 2011, with payment to be made September 6, 2011. Incorrect information appeared in IAM's August 5, 2011 news release. (2) IAM and its private corporate debt group, Integrated Private Debt Corp., announced the closing on August 3, 2011 of a \$10 million senior loan to Major Drilling Group International Inc. of Moncton, New Brunswick.

Cadillac Ventures Inc. (\$0.22 - August 11, 2011; CDC-TSX-V) (1) Cadillac Ventures announced results of a further two holes drilled at the K1-1 deposit, three kilometres east of the Thierry mine deposit on the 100%-owned Thierry project property outside Pickle Lake, Ontario. Each hole intersected widespread shallow mineralization, including hole K-11-08 which intersected a weighted average of 0.27% Cu over 610 feet, between 110 and 720 feet down the hole. (2) Cadillac also announced that Phase I of a planned three-phase drilling program on the 51%-owned Burnt Hill tin, tungsten and molybdenum project near Fredericton, New Brunswick had begun. Phase I comprises about 1,200 metres of diamond drilling, with seven holes designed to test the down-dip extensions of the known mineralized vein systems in and around the Burnt Hill mine site.

Black Iron Inc. (\$0.85 - August 11, 2011; BKI-TSX) Black Iron reported its interim financial results for the three and six months ended June 30, 2011. Since the Company was listed on the TSX on March 29, 2011, the scoping study and metallurgical test work for the Shymanivske iron ore project in Ukraine are advancing and remain on schedule for delivery in the fourth quarter of the year. A 6,700-metre confirmatory twin-hole drilling program has been completed, and the Company is preparing for its first exploration and definition drilling campaign, planned to start on resolution of the temporary suspension of activity. Black Iron continues to work with Ukrainian government officials to try to address and respond to the Dnipropetrovsk Region Ecological Inspectorate's concerns.

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Opportunity Knocks

At the present time, eResearch has no positions available.

If you are interested in learning more about eResearch, please contact Bob Weir at the following:

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Monthly Top Ten

(Includes reports and articles only)

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2. Chempahor Inc., Initiating Report, July 19
3. Analyst Article, Urgent Message, August 5
4. Analyst Article, Urgent Message, August 5
5. SLAM Exploration Ltd., Update Report, June 23
6. Analyst Article, Gold, August 4
7. Black Iron Inc., Initiating Report, July 19
8. Technical Commnet, Phases&Cycles, August 5
9. Analyst Article, Gold, August 4
10. Antioquia Gold Inc., Perspective, July 2

Bi-Weekly Top Five

(Includes reports and articles only)

The top five downloads from www.eresearch.ca since August 1, 2011:

1. Analyst Article, Stock Plunge Aftermath, August 5
2. Analyst Article, Urgent Message, August 5
3. Analyst Article, Gold, August 4
4. Technical Comment, Stock Timing, August 5
5. Technical Commnet, Phases&Cycles, August 5

Monthly Top Videos

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1. Nortec Minerals Corp., March 30
2. eResearch Corporate Video
3. NSGold Corporation, July 7
4. eResearch Benefits Video
5. Chemaphor Inc., July 25