

February 11, 2009

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: The Consumer Savings Rate

I am seeing increasing reference in the press to the prospects for the consumer, particularly in the United States, to increase significantly his savings rate. The global recession is having an impact far beyond anything imaginable, even a few months ago. Although the economy is in a recession and a bottom has not yet been reached, the specter of living beyond one's means seems to be coming to an end.

It started in the 1950s with the perceived need to keep up with the Joneses. Get a better house. Get a bigger car. Get two cars. Get a boat. Send your son to the best college, etc., etc., etc.

Credit did not come easy to get until decades later. In the 1950s, consumers were saving around 10% of their disposable income. This gradually fell to an average of about 7% through the 1980s, to 6% in the 1990s, 2% at the turn of the century, and then negative in 2005.

The pendulum is now swinging the other way. At the beginning of 2008, the savings rate was no longer negative, being near zero. The November 2008 numbers indicate that Americans have suddenly discovered that saving is a good thing: the savings rate was 2.8% of disposable income. By the end of 2009, it could be 4% and, by the end of 2010, possibly 7%-8%.

Percentages are one thing; but the absolute dollar numbers are staggering. When the savings rate in the United States was negative, at minus 1% about \$1.3 trillion was being withdrawn from the banking system (or not put in to it), and used for purchasing cars, televisions, furniture, home renovations, travel, etc.

With positive savings, the flow of money back into the banking system is incredible. A 3% annual savings rate swells U.S. bank coffers by \$3.8 trillion. At 7%, almost \$9 trillion is deposited. If this savings rate occurs, the U.S. banking system will be immediately transformed.

Saving means not spending. The implications for the retail sector are not sanguine. Also, what happens to Chinese exports, and those of other countries with which the U.S. has trade deficits? The global trade outlook appears dismal.

Bob Weir

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Director of Research

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Quick Facts



Last Trade:
(February 3/09):
\$0.08

Current Bid-Ask:
\$0.05 - \$0.16

52-Week High-Low:
\$0.85 - \$0.03

Target Price:
Withdrawn

Shares Outstanding:
23.8 million

Market Capitalization:
\$2.0 million

Book Value Per Share:
2007: \$0.11
2008: \$0.15E
2009: \$0.23E

Fiscal Year-End:
July 31

Symbol:
CNQ: HHS

Stock-of-the-Week

Hi Ho Silver Resources Inc. (CNQ: HHS)

Hi Ho Silver Resources Inc. is involved in acquisition and exploration of natural resource properties, primarily molybdenum/gold/silver, in British Columbia.

The Company's main activity is focused on the Kettle River Project, which is also known as the Carmi Property, and situated in the Okanagan Highlands of south-central B.C. Hi Ho holds a 51% interest in this molybdenum property and has an option to acquire the remaining 49%.

The Company also owns a 100% interest in the Silver Tip Property, and has an option to acquire a 51% interest in the molybdenum/gold South Rim Property.

Despite the Company's name, molybdenum currently is more important to Hi Ho than is silver. Molybdenum is used in alloys, catalysts, and electrodes. It has significance in steel manufacturing because of its tensile strength, and as a lubricator because of its performance enhancement qualities.

Hi Ho's most recent activity has been centred on Silver Tip, which is located in the Slocan Silver Mining Camp in south-central British Columbia. Work done has been preparatory for drilling. Hi Ho now holds about 13,400 acres in the area, and management is considering joint-venturing some of its claim groups during the 2008-2009 winter season. Joint-venturing could provide potential liquidity or exploration upside.

The Company announced on January 23, 2009 that it had signed a Letter of Intent with a New York-based financial intermediary which will use its "best efforts" to secure a possible loan of up to US\$8.43 million. Should the loan be granted, the Company intends to use the net proceeds to complete the 75-hole drill program on Carmi. This drill program was recommended in the NI 43-101 Technical Report dated September 2008.

The decimation in the share prices of the junior miners and the current investor disinterest in the sector caused us last year to discontinue providing one-year Target Prices for junior mining exploration companies.

Nevertheless, we consider Hi Ho Silver Resources to have good prospects in the junior mining exploration sector and recommend the shares to speculative investors who can look ahead to a return to better times for this group when metal prices begin to recover.