

January 4, 2010

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.

for your Information

Our Topic in this issue is rather lengthy. We thought we would recap and re-emphasize previous musings from this space.

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HAPPY NEW YEAR

GOOD FORTUNE IN 2010

Topic: MMX

It is now 2010. Or, as the Romans would have said: it is MMX.

Every decade gets labeled with a moniker. Examples: Gay Nineties; Roaring Twenties; Dirty Thirties; Fabulous Fifties or Nifty Fifties, take your pick; Swinging Sixties, etc.

What for the 2000s? One suggestion is the Naughties or, better still, the Naughty Naughties. Or, perhaps, the Aughts. Whatever, in investment speak, it was a Lost Decade; indeed, it went for naught!

To wit, here is how the major stock exchanges fared over the past ten years:

<u>Exchange</u>	<u>Dec 31, 1999</u>	<u>Dec 31, 2009</u>	<u>Annual % Change</u>
DJIA	11497.12	10428.05	(1.0%)
S&P 500	1469.25	1115.10	(2.7%)
NASDAQ	4069.31	2269.15	(5.7%)
S&P/TSX Comp	8413.75	11746.11	+3.4%
FTSE-100	6930.20	5412.88	(2.4%)
Nikkei 225	18934.34	10546.44	(5.7%)

For the first two years of the decade, the DJIA and the S&P 500 each followed the misery caused by the bursting of the dot-com bubble that occurred on the NASDAQ in 2000. But both indexes staged impressive runs from the beginning of 2003 until they "hit the wall" in 2008.

The NASDAQ decline of 5.7% is understandable given the dot.com bubble that was forming as the decade began. It never recovered its lost luster, and its all-time high of 5000+ is a long way away.

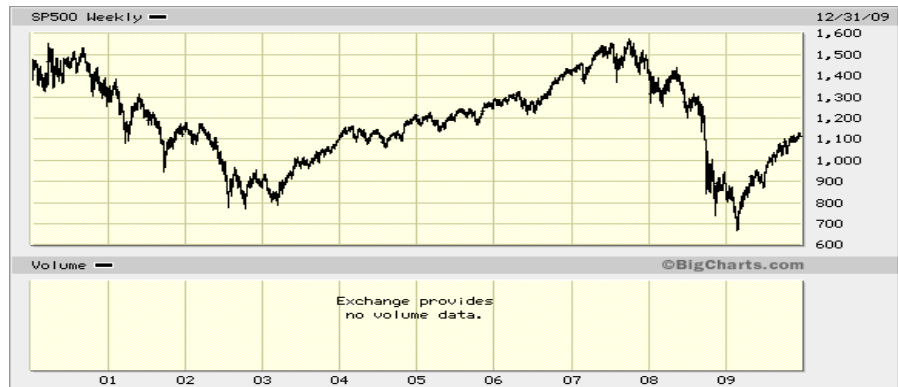
That the TSX ended up over the past ten years is attributable to its significant commodity exposure.

Here are the ten-year charts, courtesy of BigCharts.com:

1. Ten-Year DJIA



2. Ten-Year S&P 500



3. Ten-Year NASDAQ



4. Ten-Year S&P/TSX Composite



Despite the tremendous gains that occurred from the March 2009 lows, the major indexes are still well below their all-time highs, as shown below. As investors well know, it is a lot easier (and faster) for the market to go down than it is to go up.

<u>Exchange</u>	<u>2009 Gain From March Low</u>	<u>% Still Below All-Time High</u>
DJIA	62%	(26%)
S&P 500	67%	(29%)
NASDAQ	79%	(56%)
S&P/TSX Comp	57%	(22%)

We have been waiting, and waiting, for a stock-market correction to occur. Our wait continues. We remain concerned about massive government spending, albeit much on needed infrastructure, but some day our governments will need to pay the piper, and the risk is run-away inflation or rapidly-rising interest rates. As in everything in life, timing is everything.

Dark clouds hover ominously. As we have written in the Clarion before (June, 29, 2009), there are substantial U.S. residential mortgages to be re-set, being an estimated \$1.01 trillion in 2010, compared to the previous high of \$0.49 trillion in 2008. Moreover, resets in 2011 could easily exceed those in 2010. Thus, unless mortgage contracts are modified or re-written en masse, or unless there is a sudden and sharp increase in house prices, there is still a lot of pain ahead. And current high unemployment and lack of job creation do not augur well for this scenario. Consequently, we expect little growth in the U.S. housing market for the next few years.

The same parameters reflect on the attitude of the consumer. Without a stronger housing market there is unlikely to be a recovery in consumer spending and, without that, no real sustained economic recovery. Interestingly, the 2009 Holiday Season sales performance for the retailers, at first blush, seems to be extraordinarily and, most surprisingly, good. However, a full analysis of the numbers is warranted. For instance, what was the age break-down of the buying? Was it primarily under 30? Were the primary items purchased iPods, DVDs, computers, flat-screen TVs, etc.? More importantly, were the bulk of the purchases merely “borrowing” against future purchases as those doing the buying took advantage of some incredible year-end bargains? It is one thing to grow the “top line”, but retailers have ultra-thin profit margins to start with, and deep-discounting can only mean meager, or no, profitability. A retailer does not stay in business for long with that strategy.

Gold has had a good run. Commodities, in general, did well in 2009, see below. But some consolidation seems warranted, at least in the first half, for those that experienced big gains last year. Take your pick.

<u>Commodity</u>	<u>Dec 31, 2008</u>	<u>Dec 31, 2009</u>	<u>Change</u>
Gold (US\$/oz)	877.50	1,095.55	24.8%
Oil (US\$/bbl)	46.34	79.36	71.3%
Nat Gas (US\$/mmbtu)	5.41	5.82	7.6%
Copper (US\$/lb)	1.45	3.33	129.7%
Nickel (US\$/lb)	5.95	8.37	40.7%
Aluminum (US\$/lb)	0.70	1.00	42.9%
Zinc (US\$/lb)	0.57	1.15	101.7%
Lead (US\$/lb)	0.50	1.09	118.0%
Uranium (US\$/lb)	51.75	44.50	(14.0%)
Pulp (US\$/metric ton)	738.50	829.57	12.3%

My top picks for MMX are oil and uranium. I also want to say natural gas, but industry fundamentals, at least for the short term, do not seem favourable. However, long term, I am a Big Bull on this sector.

Energy, again, is going to be where it’s at in MMX. Oil will probably breach US\$100/bbl. And I think this will be the year of the break-out for uranium. It has been such a laggard. There are just too many nuclear reactors being built all over the world to keep the price of this commodity depressed for too much longer.

As we have written in previous Clarions (August 10, 2009 and December 21, 2009), we continue to emphasize sector rotation opportunities. See chart below for the performance of the major Canadian stock indexes.

The following percentage changes are to December 31, 2009:

	<u>Change from Mar. 9, 2009</u>	<u>Change From Nov. 1, 2009</u>
(1) Financials	88%	6%
(2) Information Technology	67%	10%
(3) Industrials	63%	13%
(4) Energy	57%	5%
(5) Materials	40%	10%
(6) Health	37%	5%
(7) Consumer Discretionary	35%	8%
(8) Utilities	28%	13%
(9) Telecommunications	16%	5%
(10) Consumer Staples	13%	10%
(11) S&P/TSX Composite	55%	8%
(12) S&P/TSX Venture	83%	18%

We would be cycling out of Financials and some Industrials and into Telecommunications and Utilities.

Information Technology did well in 2009, but the index is primarily RIM and, since it is well off its high, there could be recovery prospects there. We are reticent about recommending the Consumer groups until there is a better feel for the economy (and for all the reasons previously espoused earlier in this article). The Health index comprises a mere four stocks.

It is impossible not to be bullish on: (1) Energy (which is the integrated oil and gas companies, the oil and gas equipment and services companies, and the oil and gas exploration companies); and (2) Materials (which is the mining sector, including the diversifieds, the gold and precious metals, and the miscellaneous group).

We wish you the very best with your investments in 2010, sorry, in MMX.

Bob Weir

Bob Weir, B.Sc., B.Comm., CFA,
 Managing Director, Research Services

**New eResearch
Material Since
December 21/09:**

1. Initiating Reports

[Nebu Resources](#)

12/21/2009

**2. Update Reports
and Bulletins**

[Antioquia Gold](#)

12/21/2009

3. Analyst Articles

[Stock Market
Timing](#)

12/21/2009

[Pinnacle Digest
"Paper Money"](#)

12/21/2009

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BriefCase

NewsBytes from December 22 – December 31, 2009

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.

Volta Resources Inc. (\$0.75 - December 22, 2009; VTR-TSX-V) Volta announced the results from four recently completed new trenches at the Nassara prospect at the Danyora permit (part of the 100%-owned Gaoua project in southern Burkina Faso, West Africa). The new trenches confirm the continuity (at the 1 g/t level) over 400 metres from the first target tested at Nassara.

Adamus Resources Limited (A\$0.435 - December 22, 2009; ADU-ASX (Australian); ADU-TSXV) Adamus announced that it has accepted a credit-approved offer from Macquarie Bank to provide debt, bonding and hedging facilities for the development of the Company's Southern Ashanti gold project in Ghana. The facility completes the debt financing for the project.

Greenock Resources Inc. (\$0.12 - December 23, 2009; GKR-TSX-V) Greenock Resources has announced the closing of a private placement for \$185,500. The private placement units comprise common shares in Greenock at a deemed issue price of \$0.07 per common share and three warrants to purchase one common share at an exercise price of \$0.12. The three warrants will automatically convert into one common share after June 30, 2010, in the event that the common shares trade at or above \$0.15 for a period of 20 consecutive trading days. Each unit of the private placement is priced at \$3,500 and consists of 50,000 common shares and 50,000 warrants.

Oromin Explorations Ltd. (\$0.85 - December 23, 2009; OLE-TSX) Oromin Explorations, on behalf of the Oromin Joint Venture Group (OJVG), has provided an update on the ongoing exploration program at the Sabodala gold project in eastern Senegal, West Africa. As of December 2009, OJVG has outlined seven gold deposits and 18 gold targets within a 22-km-long, 5-8-km-wide, northeast trending structural corridor. The 2010 drilling campaign will start in early January.

Adex Mining Inc. (\$0.10 - December 30, 2009; ADE-TSX-V) Adex has announced the completion of a \$1,009,040 private placement (8,408,665 units at \$0.12 per unit). Each unit comprises one flow-through common share of Adex and one-half of one common share purchase warrant.

Opportunity Knocks

Business Development personnel wanted.

We are interested in adding one or two additional business development people to our team. Anyone with a penchant for sales, please contact us.

If you are interested in becoming part of our sales team, I can be reached at bweir@eresearch.ca.

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Monthly Top Ten

(Includes Company reports only)

The top ten downloads from www.eresearch.ca since December 1, 2009:

1. Rodinia Minerals Inc., *StockPotentials*, December 4 and 8
2. Mineral Deposits Limited, *StockPotentials*, December 3
3. C-COM Satellite Systems Inc. *StockPotentials*, July 20
4. Greenock Resources Inc., *Initiating Report*, December 14
5. Grandview Gold Inc., *Initiating Report*, October 17, 2007
6. Nebu Resources Inc., *Initiating Report*, December 21
7. Antioquia Gold Inc., *Perspective*, December 9
8. Oromin Explorations Ltd., *Perspective*, September 11
9. QHR Technologies Inc., *Initiating Report*, December 16
10. Mosquito Consolidated Gold Mines Ltd., *Update Report*, October 8

Year 2009 Top Ten

(Excludes Clarion weekly newsletter)

The top five downloads from www.eresearch.ca since January 1, 2009:

1. eResearch Four-Week Performance
2. eResearch Corporate Brochure
3. eResearch Distribution Platform
4. Rodinia Minerals Inc., *StockPotentials*, December 4 and 8, 2009
5. C-Com Satellite Systems Inc., *StockPotentials*, July 20, 2009
6. Grandview Gold Inc., *Initiating Report*, October 17, 2007
7. Analyst Article, Starbucks and Stock Prices, May 30, 2007
8. Canadian Commercial Banks, *Special Report*, October 31, 2008
9. Alexandria Minerals Corporation, *Information Report*, June 26, 2009
10. Mosquito Consolidated Gold Mines Ltd, *Update Report*, October 8, 2009

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