NATCAN WEEKLY MARKER

November 18, 2008

BEAR HUNTING SEASON: GAINING A HISTORICAL PERSPECTIVE

Battered by months of downward market action and gloomy economic forecasts, investors are justified in asking when a turn of events could occur. They are generally aware of the tendency of equity markets to assume a recovery ahead of economic trends. In this week's edition of the Marker, we review over a century of bear market history in search of potential sign posts.

"History Does Not Repeat Itself, but It Rhymes a Lot"

- Mark Twain

A sense of history and context allows us to better understand the magnitude of the current market downturn. Below is a list of the most significant market downturns of the past century, their initiating factor, and the extent of the market depreciation.

START/END	INITIATING FACTOR	START TO END LOSS
June 1901 / Nov. 1903	Steel Sector Strike	46%
Jan. 1906 / Nov. 1907	Railroad Industry Regulation	50%
Sept. 1912 / Dec. 1914	Agitation against Trusts	44%
Nov. 1916 / Dec. 1917	World War 1	40%
Nov. 1919 / Aug. 1921	Labour Tensions in War Industries	47%
Sept. 1929 / July 1932	End of Roaring Twenties	89%
March 1937 / March 1938	Government Action on Gold Reserves	49%
Sept. 1938 / Apr. 1942	World War 2	41%
Jan. 1973 / Dec. 1974	Arab-Israel War – Watergate	45%
March 2000 / Oct. 2002	Time Warner – AOL Acquisition	49%
Oct. 2007 / Nov. 2008 (Indicative)		39%[1]

[1] DJIA all-time high (10/07) to 11/06/2008

Source: CitiFX Market Commentary, November 4, 2008

WHAT COMES NEXT?

A great deal of energy is spent estimating the timing of a reversal in the equity market trends of the past 12 months. No one, other than by pure chance and statistical coincidence, can accurately pick the market bottom. The historical record above serves to demonstrate that no single factor can be used to explain market downturns, and no alleged reason appears to justify the magnitude of the ensuing corrections. Clearly, background conditions influence the outcome. What we do know is that the current downturn is occurring as a result of three coincident and related drivers: stress in the financial system, de-leveraging by institutions and consumers, and a global economic slowdown.

NATCAN WEEKLY MARKER

Equity markets continue to correct severely, in line with the historical record. Investors are understandably becoming polarized between two camps: one wishes to bet on a market recovery while the other questions its commitment to equities and entire "risky" asset classes. All would be best served, now more than ever, by maintaining focus and adhering to a long-term asset allocation, actively rebalancing to policy, thereby selling more expensive assets to purchase cheaper ones. Their long-term investment results will no doubt be gratifying and for those most apt to resist fads, perhaps astonishing!

Michael Quigley, CFA, CAIA
Senior vice president, Distribution

FINANCIAL MARKETS

RETURNS AS AT NOVEMBER 14, 2008 (%)	MTD	QTD	YTD
S&P/TSX	-7.13	-22.61	-32.92
S&P 500	-8.28	-13.62	-25.35
S&P/TSX Small Cap	-6.68	-28.86	-47.02
Russell 2000	-13.52	-22.48	-25.62
MSCI EAFE	-5.26	-13.52	-34.10
MSCI World	-7.45	-14.23	-29.97
DEX Universe Bond	1.39	0.54	2.38

	RATES AS AT NOVEMBER 14, 2008
CAD/USD	1.22
CAD/Euro	1.55
US Treasuries yield 10-yr/30-yr	3.74/4.23
GOC bond yield 10-yr/30-yr	3.63/4.22
Fed Fund Rate (target)	1.00

Note: Returns in Canadian dollars, London 4h exchange rates. Source: Datastream, PC Bond, MSCI-Barra, and Bloomberg. PC-Bond, a business unit of TSX Inc. Copyright © TSX Inc. All rights reserved.