



Strategic Edge Weekly

INVESTMENT VIEWS & HIGHLIGHTS

10 Themes for '10

A QUICK RECAP OF OUR 2009 STRATEGY

Although global markets were falling into the abyss a year ago, we adopted a glass-half-full strategy for 2009, as we felt markets were pricing apocalyptic scenarios. With risk premia near record highs, the equity risk-reward outlook was indeed very compelling a year ago. Getting confidence from our ISM model, we recommended investors add risky assets (equities, emerging markets, corporate bonds) and overweight cyclical sectors as ISM indices and employment data went from worse to bad. The worst of the global recession came in the first quarter of 2009 and economic activity has been improving since then. Our cyclical bias was maximized in June following the S&P 500 “golden cross” (50-day MA crossing the 200-day line). 2009 was a horrible year for the global economy, but equity markets managed to post solid performances, further illustrating how markets feed off anticipation, not what is written in the daily newspapers.

SETTING OUR SIGHTS ON A MORE CHALLENGING 2010

Entering 2010, we are inclined to stick to our constructive equity view, but caution that the economy may upstage markets in coming months. Improving macroeconomic data and positive profit trends should continue in the first half of 2010, thus supporting further outperformance from cyclical assets and sectors. Robust earnings growth (30%-35%) and positive funds flows could lift equity indices another 10%.

The equity risk-reward outlook is not as compelling as it was at the start of 2009, however, and investors should expect more modest gains now that the equity normalization phase is in the latter stages. Our objective in 2010 will be to adapt our asset mix stance when the risk-reward outlook no longer dictates an aggressive cyclical bias. By the end of 2010, portfolios should not look as cyclical as they do now.

ISM MODEL AND 2010 GAME PLAN

Our ISM model assesses the equity market's risk-reward profile depending on which “investment phase” we are in. Results of our 1950-2009 ISM/S&P 500 research are illustrated in Exhibit 1.

Our objective early in 2009 was to take advantage of the equity market's compelling risk-reward profile. When the ISM dips below 40, the S&P 500's one-year forward gain averages 27% and probability of a positive return stand at 100%. Although the S&P 500 continues to perform well when the ISM moves above the 50 level, the risk-reward outlook starts to wane when the ISM goes over 55. Bottom line: stay cyclical to kick off 2010, but stand ready to pare down bets as the ISM crosses the 55 level.

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Portfolio Strategy Research

For Reg AC Certification and important disclosures see Appendix A of this report.

Exhibit 1: ISM Index and Investment Phases (1950-2009)*: One-Year Forward Equity and Interest Rate Behaviour

Phases	ISM Ranges	1-Yr Forward			
		S&P 500	Prob. of Positive Return	Fed Funds (bp)	10-Yr Yield (bp)
Apocalypse	< 40	27%	100%	-106	-32
Worse-to-Bad	40-50	10%	74%	-102	-23
Show-me-the-Money	50-55	8%	72%	-47	-1
Optimism	55-60	6%	67%	+73	+13
Goldilocks	60+	2%	62%	+113	+32

S&P 500 data going back to 1950, Fed Funds to 1958; 10-Yr yields to 1953 and MSCI Mexico (USD) to 1987

Source: Scotia Capital estimates.

2010 EQUITY STRATEGY: SHIFT TO MID- & LATE CYCLICALS AND LARGE CAP MARKETS

Small cap, Emerging markets, and cyclical sectors have been leading the charge since the spring rebound started in March. 2009 sector performance has provided a textbook illustration of late-stage recession/early-stage expansion leadership. We expect this cyclical outperformance to continue early in 2010, albeit to a lesser extent. Mid-to-late cycle areas such as Technology, Industrials, Energy, and Materials should outperform Financials and Discretionary when, in our opinion, the tightening cycle begins in the latter half of 2010.

We are reducing our Financials weighting (preference of Banks over Insurance) to market weight and raising our recommendation in Telecom, as we believe the sector will perform better in 2010. Although S&P 500 performance continues to be led by cyclical sectors, large capitalization segments have assumed leadership in the last couple of months, a trend that should help the Telecom sector. Defensive sectors such as Utilities, Staples, and Healthcare could continue to lag the overall market at the start of 2010, but earnings leadership could return to this low-beta group later next year. We will be monitoring earnings revisions ratios (Exhibit 7) in order to assess the appropriate timing to raise our weighting in defensive areas.

POTENTIAL GAME-CHANGERS IN 2010

Key items to watch in 2010 will be the behaviour of the USD and the timing of Fed rate hikes and a public/private sector handoff. Tangible improvements in business spending early in 2010 could set the stage for employment growth and a sustained consumer spending recovery. Such a scenario would provide global central banks the additional comfort to start normalizing monetary policy; i.e., raising interest rates.

The greenback is slated to weaken further in coming years, but we would not dismiss the potential for a short-term rally once the Fed raises interest rates. As long as the USD remains biased lower (which is our forecast for 2010), investors should focus on Canadian, Latin American, and Emerging Asian equities. Europe should be preferred to the U.S. and Japan. Market leadership could reverse in the latter half of 2010 as currency and interest rate dynamics change.

10 THEMES FOR 2010

The following is a list of guidelines (and reminders) that will influence our strategy in the coming months:

- Stay constructive on the U.S. economy as long as jobless claims and housing fundamentals are improving;
- Don't fight the equity uptrend when forward earnings estimates are being revised higher;
- Probabilities of overshoot for equities and commodities remain greater than risks of major correction entering the year;

- In contrast to 2009, most gains will likely be made in the first half of the year;
- Take off your cheerleader hat when the ISM moves above 55 and/or the S&P 500 is trading above 1,200;
- Take beta out of equity portfolios (add large cap, S&P 500; reduce small cap, Emerging markets) when blended ISM crosses over 55;
- Don't plan holidays when ISM data is released;
- Bonds will not price rate hikes until the U.S. is adding jobs;
- Monitor the USD's reaction (and commodities') when U.S. employment turns positive– the greenback's not going to zero;
- By the end of 2010, portfolios should not look as cyclical as they do now.

EARNINGS AND TARGETS UPDATE

With the global economy recovering, we believe the 2010 earnings outlook is solid. U.S. profit margins have recovered very quickly compared to previous recessions and margins are already back at their 60-year average of 9.5%. Businesses were quick to rein in costs in 1H/09 and upcoming top-line growth should lift margins further. Even assuming a sub-par economic recovery, S&P 500 profits could move above the US\$80 level in coming quarters.

We are raising our 2010 earnings estimates to US\$75 (from US\$72) for the S&P 500, and to \$775 (from \$750) for the TSX. Based on our 2010 earnings forecasts, profits should jump between 30%-35% next year. We are introducing 2011 earnings forecasts of US\$82 for the S&P 500 and \$850 for the S&P/TSX, suggesting a high single-digit earnings growth. Using a 15x forward P/E multiple on our 2011 earnings forecasts, we derive 12-18 month price targets of 1,225 for the S&P 500 and 12,750 for the S&P/TSX.

Exhibit 2: Scotia Capital Financial Forecasts

	2008	2009 E	2010 E	2011 E
Equity				
S&P/TSX	8,988		12,750	
EPS	950	600	775	850
S&P 500	903		1,225	
EPS	49.50	55.00	75.00	82.00

Source: Scotia Capital estimates.

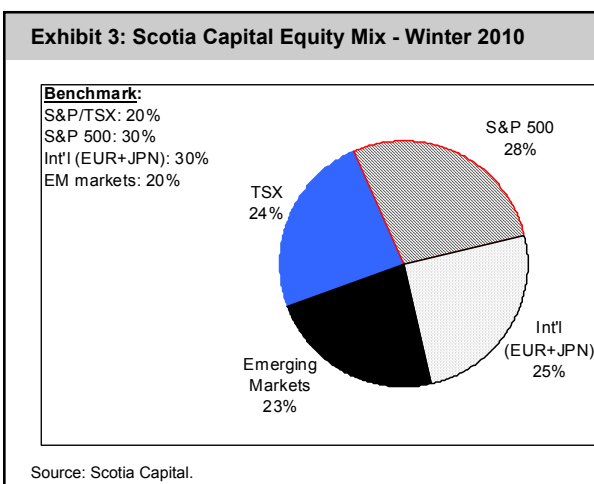


Exhibit 4: 2010 Sector Strategy

Sector	Recommendation
Energy (Oil over Natural Gas)	Overweight
Materials	Overweight
Industrials (biased higher)	Neutral
Discretionary	Overweight
Staples	Underweight
Health Care	Underweight
Financials (overweight Banks)	Neutral
Technology	Overweight
Telecom (biased higher)	Neutral
Utilities	Underweight

Source: Scotia Capital.

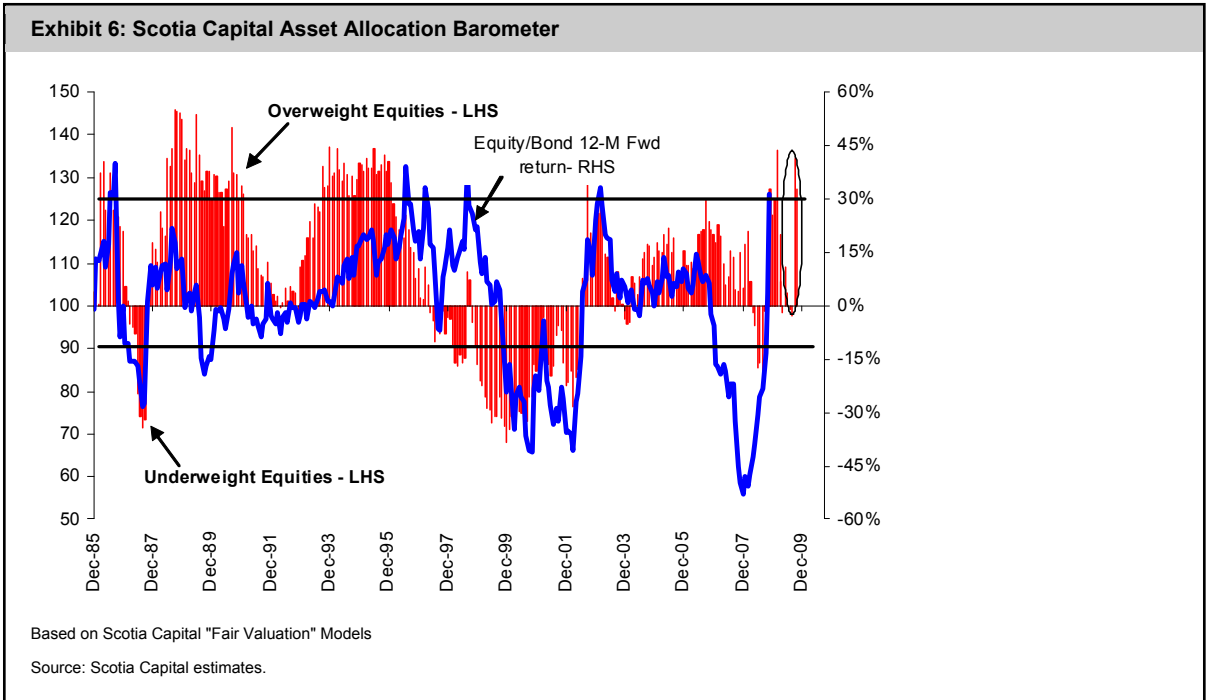
ASSET MIX

Rising interest rates should represent one of the main challenges next year as Central Banks likely implement their “exit strategies” in the second half of 2010. Bond returns are expected to range between 0% (government) and low single digits (corporate bonds) next year versus low double-digit gains for equities, thus warranting an equity overweight stance. In terms of asset mix, we are reallocating 2% from corporate bonds into cash, as high yield bond performance will be constrained in a rising bond yield environment. We are at the stage of the cycle where equities typically outperform high-yield bonds. Our asset mix recommendations and expected total return tables are shown in Exhibit 5.

Exhibit 5: Scotia Capital Asset Mix – Winter 2010				
	Asset Mix		Change from Last Quarter	Total Return Next 12-M
	Benchmark	Recommended		
Equities (TSX)	60%	68%	0%	10%
Bonds	38%	26%	-2%	0%-5%
<i>Government</i>	28%	15%	0%	0%
<i>Corporate</i>	10%	11%	-2%	5%
Cash (91-D Tbills)	2%	6%	+2%	1%-2%

Source: Scotia Capital estimates.

Based on our models, S&P 500 and long-term bond (U.S. 10-year yields) “fair values” should hit 1,275 and 4.8% in 2010, respectively. Compared to current levels (S&P 500 at 1,095; 10-year yields at 3.23%), equities thus appear 14% undervalued and long-term bonds 9% overvalued; i.e., a 23% differential favouring the S&P 500 (red bar). As highlighted in our asset allocation barometer (Exhibit 6), we are still getting a strong equity overweight signal. Note that the solid line (blue) depicts the 12-month forward S&P 500 over Bond performance. Hence, every model signal (**now**) is compared to what happened one year later.



EARNINGS LEADERSHIP: CYCLICAL LEADERSHIP LOSING STEAM

As depicted in Exhibit 7, relative earnings leadership has been driven mainly by cyclical sectors in the last six months. Materials, Consumer Discretionary, Technology, Financials, and Energy have been posting superior “earnings revisions ratios” since Q2 and this trend should continue in the first half of 2010.

However, cyclical earnings leadership appears to be losing momentum. For instance, the S&P 500 Financials’ earnings revisions ratio has gone from 1.7x to 1.2x in the last six months, while Healthcare has joined the positive group last month (ratio of 1.2x).

Figures shown in Exhibit 7 highlight how all 10 S&P 500 GICS have been doing in terms of earnings revisions over the last six months, three months, and one month. A ratio above 1 indicates that a sector’s forward EPS has increased faster than the market.

Exhibit 7: S&P 500 Sector Relative Earnings Revisions Ratio* – November 2009			
Sector	U.S.		
	1-M	3-M	6-M
Energy	1.2	1.3	1.3
Materials	2.1	2.8	2.5
Industrials	0.5	0.4	0.1
Cons. Disc.	1.8	1.7	5.6
Cons. Staples	0.4	0.5	0.4
Health Care	1.2	0.8	0.5
Financials	1.2	1.5	1.7
Technology	1.4	1.5	1.3
Telecom	0.0	-0.7	-0.3
Utilities	-0.1	0.0	0.0

*Figures Above/Below 1 indicates that sector fwd. EPS have increased faster/slower than the market fwd. EPS
Source: Scotia Capital, Thomson Financial.

VALUATIONS BACK TO HISTORICAL AVERAGES

After dropping to single-digit levels a year ago, forward P/E ratios bounced back vigorously to the mid-teens in November 2009, which is basically in line with their historical average. As highlighted in Exhibit 8, the MSCI World index is trading at 14.2x expected earnings (next 12 months) and most countries/regions are trading under 15x forward earnings. Japan appears more expensive, but that is mainly due to a lower earnings base following last year’s crash.

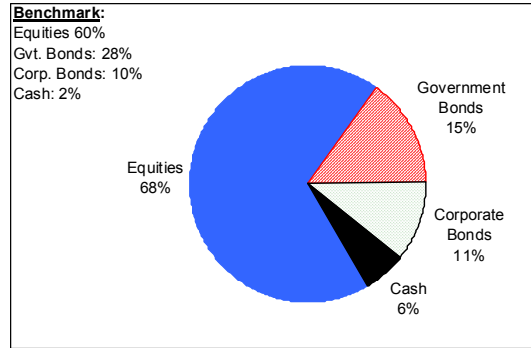
Relative to corporate bonds, equity valuations don’t look stretched either as the current 6.3% yield on U.S. long-term BAA bonds suggests a 15.9x P/E ratio; i.e., 9% higher than the S&P 500 forward P/E of 14.6x. Earnings growth should lift markets in 2010 as we see limited P/E multiple expansion potential from current levels.

Exhibit 8: MSCI Markets – Expected EPS (next 12 Months) and P/E Ratios												
	12-M Forward EPS Growth & P/E Ratios -- November 2009 EPS data											
	World		Canada¹		U.S. (S&P 500)		Europe		Japan		EM	
Overall	24%	14.2	22%	15.0	23%	14.6	20%	12.6	213%	19.2	26%	13.0
Energy	22%	12.2	27%	16.6	27%	13.5	19%	9.9		11.8	16%	10.3
Materials	40%	16.6	48%	19.8	46%	18.3	32%	15.4	482%	22.4	38%	14.4
Industrials	15%	16.2	10%	15.5	6%	16.2	13%	15.8	34%	17.9	39%	14.1
Cons. Disc.	55%	17.2	45%	13.1	30%	16.5	53%	16.1		28.7	17%	12.6
Cons. Staples	10%	14.7	11%	13.9	8%	14.2	9%	14.6	24%	19.0	20%	16.7
Health Care	9%	11.9	14%	10.9	8%	11.7	7%	11.4	23%	14.3	30%	17.1
Financials	37%	14.2	13%	12.4	108%	15.4	35%	12.3		15.6	24%	13.4
Technology	40%	16.1	21%	11.8	22%	16.2	43%	15.3		25.1	54%	14.3
Telecom	5%	11.7	1%	12.1	3%	14.3	3%	10.3	9%	10.5	9%	11.7
Utilities	7%	12.1	14%	15.2	5%	11.8	2%	11.0	62%	19.2	22%	12.2

1: We use the TSX index at the country level and MSCI Canada indexes for sector
Source: Scotia Capital, Thomson Financial, Bloomberg: Company reports; Scotia Capital estimates.

Equity Markets

Exhibit A: Scotia Capital Asset Allocation



Source: Scotia Capital.

Exhibit B: U.S. Sector ETFs Portfolio

27-Nov-09

Sector	ETFs	Portfolio Weighting (%)	S&P 500	Recommendation
Energy	XLE	13.1%	12.1%	1.0%
Materials	XLB	4.6%	3.6%	1.0%
Industrials	XLI	10.4%	10.4%	0.0%
Cons. Disc.	XLY	10.5%	9.5%	1.0%
Cons. Staples	XLP	10.1%	11.8%	-1.7%
Health Care	XLV	11.3%	12.9%	-1.6%
Financials	XLF	14.4%	14.1%	0.3%
Technology	XLK	20.6%	18.9%	1.7%
Telecom	IYZ	3.1%	3.1%	0.0%
Utilities	XLU	1.9%	3.6%	-1.7%

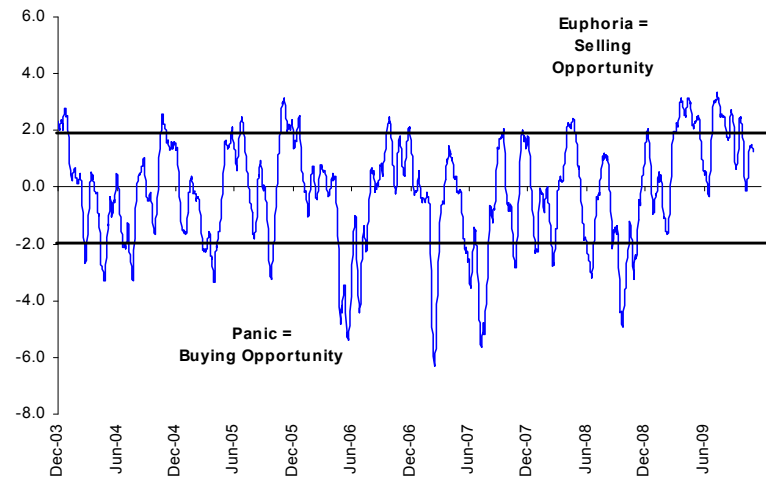
Source: Scotia Capital; Bloomberg.

Exhibit C: Scotia Capital Financial Forecasts

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EPS	950	600	775	850
S&P 500	903		1,225	
EPS	49.50	55.00	75.00	82.00
Interest Rates				
BoC	1.50%	0.25%	1.50%	
CA 10-Yr	2.68%	3.50%	4.70%	
Fed Funds	0.25%	0.25%	1.50%	
US 10-Yr	2.21%	3.50%	4.65%	
Currencies & Commodities (Yearly Average)				
CAD (USD/CAD)	1.07	1.13	0.99	
EUR-USD	1.47	1.42	1.57	
USD-YEN	103	94.25	87.25	
USD-MXN	11.2	13.65	14.13	
WTI	99.92	62.00	90.00	
Natural Gas	8.90	4.15	5.50	
Copper	3.15	2.25	2.85	
Gold	872	960	1,100	

Source: Scotia Capital estimates; Scotia Economics.

Exhibit D: U.S. Panic-Euphoria Model



Source: Scotia Capital; Bloomberg.

Strategic Edge Portfolio

Exhibit E: Strategic Edge Portfolio & Canadian Sector Strategy

November 27, 2009		Weighting		Weighting	
Sector / Company	SE Portfolio	S&P/TSX	Sector / Company	SE Portfolio	S&P/TSX
Cash	2.3%				
Financial	31.4%	30.6%	Energy (Ex-Pipelines)	24.3%	23.7%
Royal Bank of Canada	9.5%	6.4%	Precision Drilling	1.1%	0.2%
Bank of Nova Scotia	5.9%	3.9%	Cameco	2.0%	1.0%
Bank of Montreal	3.5%	2.3%	Talisman Energy Inc.	2.3%	1.5%
National Bank	2.5%	0.8%	Canadian Natural Resource	4.1%	3.1%
Manulife Financial	3.4%	2.4%	Nexen	2.1%	1.0%
Sun Life Financial	1.3%	1.3%	Daylight Resources	1.4%	0.1%
Great-West	2.6%	0.5%	Suncor	5.3%	4.7%
AGF Management	1.7%	0.1%	Encana	4.8%	3.4%
Brookfield Properties	1.0%	0.2%	Husky Energy	1.2%	0.6%
Staples	2.7%	2.7%	Materials	18.9%	20.2%
Alimentation Couche-Tard	1.8%	0.2%	Barrick Gold	4.5%	3.6%
Shoppers Drug Mart	0.9%	0.8%	Kinross Gold	1.1%	1.1%
Telecom	5.2%	4.4%	IAMGOLD	2.2%	0.6%
Rogers Communications	1.7%	1.3%	Red Back Mining	1.2%	0.3%
BCE	1.7%	0.1%	Teck Cominco	2.7%	1.4%
Utilities & Pipelines	1.9%	1.7%	Inmet Mining	1.6%	0.3%
TransCanada	1.9%	5.1%	Hudbay Minerals	1.2%	0.2%
Enbridge	0.5%	1.9%	Potash Corp.	3.1%	2.8%
Fortis	1.1%	1.4%	Agrium	1.2%	0.7%
Discretionary	0.4%	0.4%	Industrials	6.3%	5.5%
Thomson Reuters	3.5%	4.2%	Canadian National Railway	3.3%	2.1%
Quebecor Inc.	1.6%	1.0%	SNC-Lavalin	1.8%	0.6%
Rona	1.0%	0.2%	Bombardier	1.2%	0.5%
Astral Media	1.0%	0.1%			
Technology	3.5%	3.2%			
Research In Motion	2.5%	2.5%			
CGI Group	1.0%	0.3%			

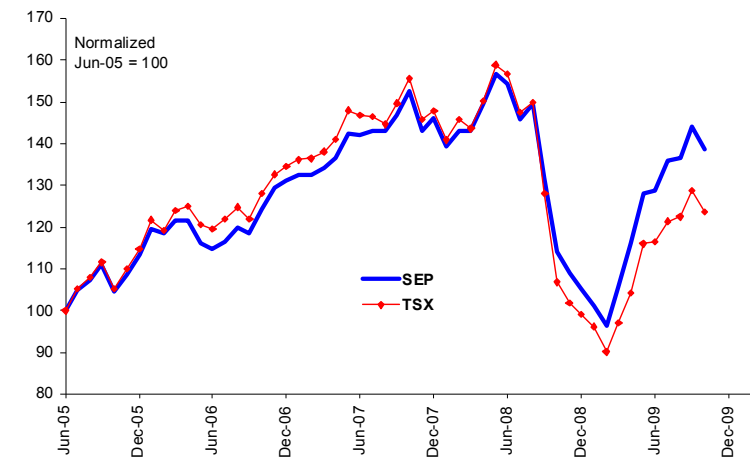
Source: Scotia Capital.

Exhibit F: Strategic Edge Portfolio Performance – Total Return

30-Oct-09 Period	Performance -- Total Return (%)		
	SEP	S&P/TSX	Value Added (bp)
October	-3.9%	-4.0%	18
3-M	2.0%	1.8%	16
YTD	31.8%	24.8%	698
1-Yr	21.5%	15.7%	576
	CAGR (%)		
3-Yr	3.7%	-1.2%	488
Inception (June-05)	7.8%	5.0%	280

Source: Scotia Capital.

Exhibit G: SEP Performance vs. S&P/TSX Since Inception (June 2005) – Total Return



Source: Scotia Capital.

Equity Markets (continued)

Exhibit H: World Market Performance (%)						
30-Nov-09	Level	Performance				
		5-D	3-M	6-M	LTM	YTD
Americas						
S&P/TSX	11464	-1.0%	5.5%	10.6%	23.7%	27.6%
S&P 500	1091	-0.3%	6.9%	18.8%	21.8%	20.8%
Nasdaq	2138	-0.9%	6.4%	20.5%	39.3%	35.6%
Dow Jones	10310	-0.2%	8.6%	21.3%	16.8%	17.5%
Mexico (Bolsa)	30775	0.4%	9.4%	26.5%	49.9%	37.5%
Brazil (Bovespa)	67386	0.9%	19.3%	26.7%	84.1%	79.5%
Venezuela (IBC)	53545	0.5%	6.0%	24.2%	55.4%	52.6%
Large Cap vs Small Cap						
S&P/TSX 60	681	-1.2%	4.3%	7.7%	20.9%	25.7%
S&P/TSX Small Cap	543	0.1%	16.9%	26.4%	56.3%	47.8%
Russell 1000 (Large cap)	596	-0.4%	6.8%	18.8%	23.9%	22.2%
Russell 2000 (Small cap)	577	-1.4%	0.9%	15.1%	22.0%	15.6%
Europe						
U.K. (FTSE 100)	5206	-2.8%	6.1%	17.8%	21.4%	17.4%
Germany (DAX)	5634	-2.9%	3.1%	14.0%	20.6%	17.1%
France (CAC 40)	3689	-3.3%	1.0%	12.6%	13.1%	14.6%
Italy (MIB30)	22017	-4.1%	-1.8%	10.7%	10.2%	13.1%
Spain (IBEX 35)	11668	-2.3%	2.7%	23.8%	30.9%	26.9%
Netherlands (AEX)	307	-3.2%	3.5%	18.2%	21.5%	24.7%
Asia / Pacific						
Japan (Nikkei 225)	9346	-1.6%	-10.9%	-1.9%	9.8%	5.5%
China (Shanghai A Share)	3351	-4.3%	19.7%	21.3%	70.5%	75.3%
Hong Kong (Hang Seng)	21822	-4.2%	10.6%	20.1%	57.1%	51.7%
Australia (S&P/ASX 200)	4701	-0.3%	5.0%	23.1%	25.6%	26.3%
MSCI (USD)						
World (All Country)	292	-2.1%	6.2%	18.5%	32.8%	28.3%
World Ex-USA	1567	-2.3%	4.0%	17.4%	33.8%	27.2%
EAFE	1553	-2.4%	3.6%	17.9%	33.0%	25.5%
Emerging Market	941	-3.7%	12.1%	21.7%	78.6%	0.5%

Source: Bloomberg.

Exhibit I: S&P/TSX Sector Performance (%)							
30-Nov-09	Level	Index weight	Performance (%)				
			5-D	3-M	6-M	LTM	YTD
TSX	11464		-1.0%	5.5%	10.6%	23.7%	27.6%
Financials	1531	30.6%	-0.9%	-1.4%	16.2%	22.3%	35.0%
Banks	1847	20.5%	-1.0%	1.6%	25.0%	36.4%	53.6%
Insurance	944	6.5%	-1.0%	-11.0%	-5.4%	-9.3%	-0.5%
Diversified financials	1484	1.2%	1.0%	0.3%	10.7%	34.9%	28.2%
Real Estate	1499	2.3%	-0.2%	3.1%	21.8%	22.4%	27.2%
Utilities	1571	1.5%	-1.3%	4.6%	14.6%	5.8%	4.0%
Telecom	709	4.4%	0.4%	3.5%	5.4%	-2.4%	-1.7%
Consumer staples	1496	2.7%	0.4%	3.5%	5.7%	10.9%	2.6%
Food Retail	1265	1.2%	1.5%	4.1%	3.5%	11.9%	4.3%
Food Beverage & Tobacco	1716	0.7%	-1.1%	6.9%	24.9%	27.9%	18.5%
Drug Retail	976	0.8%	0.2%	0.1%	-1.8%	0.3%	-8.1%
Health Care	322	0.5%	0.3%	10.8%	24.4%	22.8%	27.7%
Materials	3147	20.2%	-2.2%	20.3%	15.8%	60.0%	39.0%
Divers. Metals & Mining	7656	3.5%	-1.5%	27.3%	78.6%	300.8%	313.9%
Gold	3080	11.4%	-2.3%	17.4%	8.9%	35.8%	14.7%
Chemicals	3966	3.7%	-3.6%	18.4%	-1.6%	45.9%	34.1%
Steel	4769	0.3%	-0.1%	12.5%	32.5%	63.6%	47.7%
Paper & forest	547	0.5%	0.3%	34.5%	36.1%	73.3%	46.3%
Energy	2732	27.3%	-0.2%	9.2%	5.5%	17.7%	29.2%
Producers	2981	15.1%	-0.5%	9.5%	7.7%	16.2%	29.5%
Integrated	3304	6.3%	-0.2%	10.1%	-3.5%	21.2%	41.6%
Equipment/Services	1175	0.9%	0.0%	9.5%	13.9%	17.9%	18.6%
Storage & Transportation	1223	3.9%	1.8%	7.3%	11.2%	11.8%	9.6%
Industrials	1071	5.5%	-2.6%	4.1%	17.6%	21.7%	16.8%
Capital Goods	519	1.9%	-2.3%	7.4%	19.8%	21.1%	11.1%
Transportation	2658	3.1%	-3.1%	3.0%	17.4%	25.3%	23.5%
Technology	229	3.2%	-2.3%	-17.5%	-20.3%	16.6%	26.9%
Hardware	189	2.6%	-3.4%	-22.7%	-26.4%	12.4%	25.1%
Software	921	0.6%	3.2%	15.8%	24.1%	38.8%	35.0%
Consumer disc.	856	4.2%	0.0%	1.0%	11.1%	6.8%	5.8%
Auto	757	0.5%	-2.4%	4.2%	42.7%	40.8%	40.6%
Media	695	2.4%	0.5%	2.0%	4.4%	-1.8%	-3.8%
Hotels, Restaurants & Leisure	880	0.4%	-1.2%	-0.8%	4.9%	-4.0%	-14.1%
Retail	1858	0.7%	0.4%	1.1%	16.2%	30.6%	31.1%

Source: Bloomberg.

Yields, Currencies & Commodities

Exhibit J: Yields (%)

30-Nov-09	Level	Net Change (bp)					LTM
		5-D	3-M	6-M	YTD		
Canada							
TB-3 month	0.22	0.00	0.01	0.03	-0.61	-1.48	
2 year	1.12	-0.13	-0.17	-0.12	0.03	-0.58	
5 year	2.37	-0.17	-0.27	-0.09	0.68	-0.07	
10 year	3.22	-0.15	-0.18	-0.16	0.54	-0.10	
30 year	3.84	-0.09	-0.07	-0.16	0.38	-0.06	
U.S.							
TB-3 month	0.04	0.03	-0.10	-0.09	-0.04	-0.01	
2 year	0.69	-0.04	-0.33	-0.23	-0.08	-0.29	
5 year	2.06	-0.11	-0.39	-0.28	0.51	0.14	
10 year	3.24	-0.11	-0.21	-0.22	1.02	0.32	
30 year	4.23	-0.05	0.03	-0.11	1.55	0.79	
Europe							
TB-3 month	0.38	-0.06	0.04	-0.39	-1.27	-1.81	
2 year	1.28	-0.07	0.02	-0.14	-0.48	-0.91	
5 year	2.25	-0.13	-0.12	-0.38	-0.07	-0.40	
10 year	3.17	-0.10	-0.08	-0.42	0.22	-0.09	
30 year	3.91	-0.06	-0.08	-0.45	0.37	0.19	
U.K.							
TB-3 month	4.85	0.00	-0.45	0.00	-0.60	-0.85	
2 year	1.20	-0.04	0.32	0.12	0.15	-1.01	
5 year	2.62	-0.02	0.02	0.06	0.18	-0.59	
10 year	3.55	-0.12	-0.01	-0.20	0.53	-0.22	
30 year	4.12	-0.01	0.00	-0.44	0.42	0.00	
Japan							
TB-3 month	0.20	-0.02	0.00	-0.45	0.00	-0.37	
2 year	0.23	-0.02	-0.02	-0.13	-0.15	-0.37	
5 year	0.55	-0.05	-0.08	-0.28	-0.14	-0.33	
10 year	1.27	-0.05	-0.05	-0.22	0.09	-0.13	
30 year	2.17	-0.03	-0.07	-0.09	0.43	-0.02	
Libor Spread (3-M; basis point)							
Canada	28	27	28	51	135	96	
U.S.	22	25	18	53	135	218	
Europe	30	23	35	50	124	166	

Source: Bloomberg.

Exhibit K: Commodities

30-Nov-09	Level	Performance (%)					LTM
		5-D	3-M	6-M	YTD		
Aluminum (US\$/lb)	0.89	-1.1%	6.8%	40.3%	34.5%	13.7%	
Copper (US\$/lb)	3.06	0.4%	7.9%	44.9%	132.8%	84.3%	
Nickel (US\$/lb)	7.31	-3.2%	-16.8%	21.1%	49.2%	58.7%	
Zinc (US\$/lb)	1.00	0.1%	20.9%	50.9%	96.2%	81.1%	
LME Index	3106	-1.8%	4.7%	37.4%	80.2%	60.8%	
Oil (US\$/barrel, NYMEX)	76.04	-0.9%	8.7%	14.7%	70.5%	39.7%	
Natural gas (US\$/MMBtu)	5.01	13.2%	68.3%	30.6%	-10.9%	-23.0%	
Gold (US\$/oz)	1172.20	2.2%	23.1%	19.8%	32.6%	43.6%	
Silver (US\$/oz)	18.24	-1.7%	22.4%	15.9%	60.1%	77.1%	
Wheat (US\$/bushel)	5.56	-0.7%	18.0%	-12.8%	-9.0%	2.5%	
Corn (US\$/bushel)	3.97	1.6%	21.8%	-8.9%	-2.4%	13.7%	
CRB-All Com. (NYFE)	273	-0.5%	7.7%	8.0%	19.0%	12.8%	

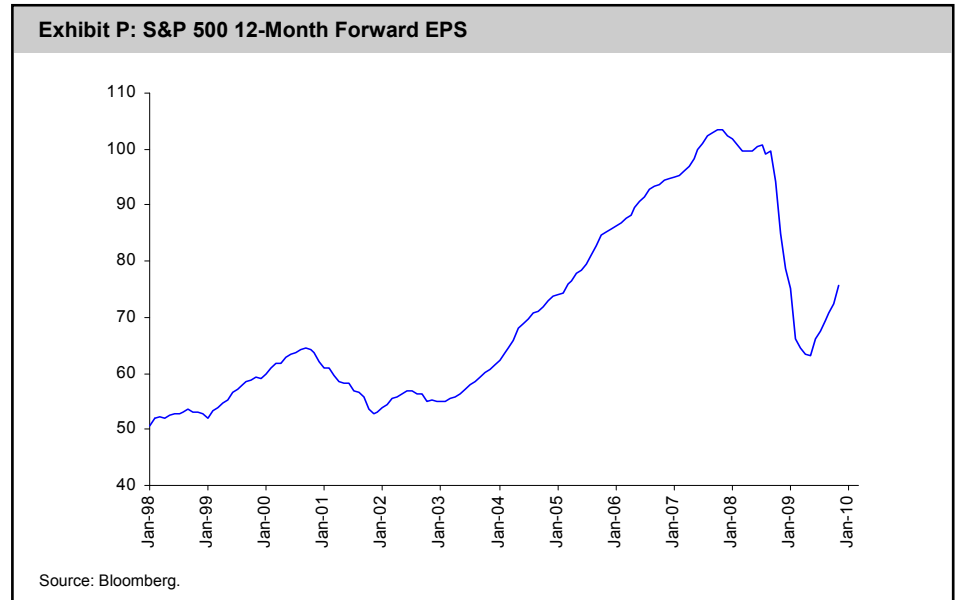
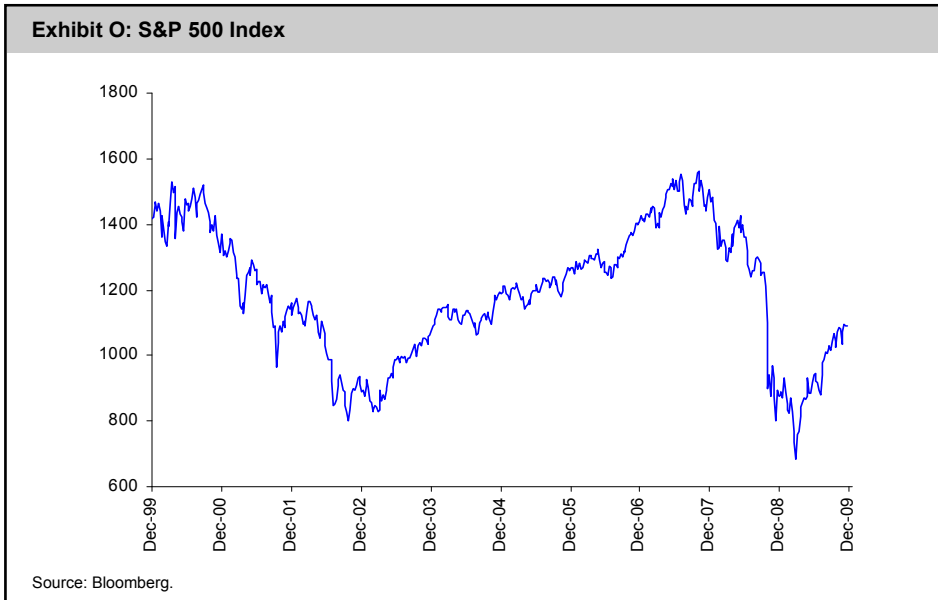
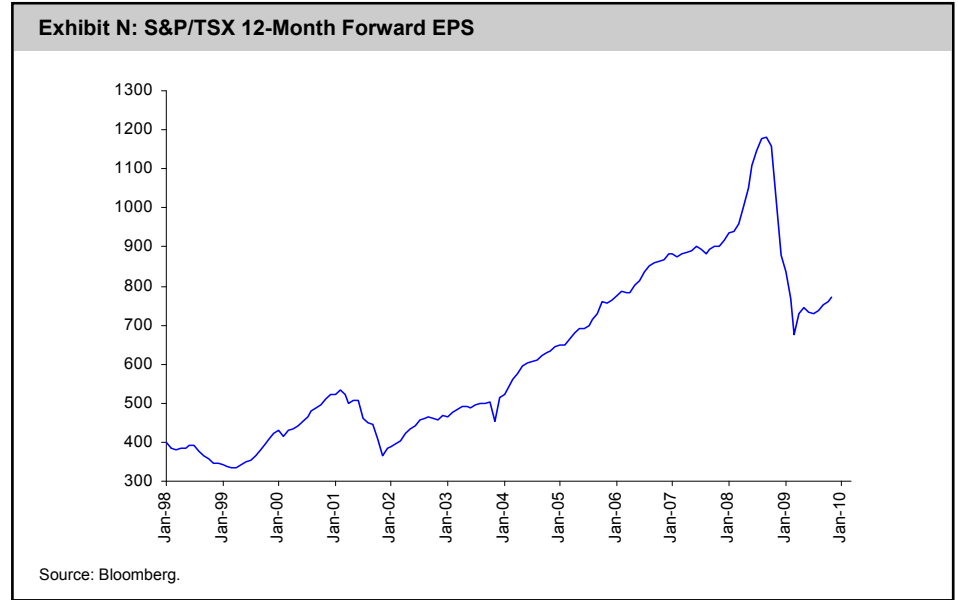
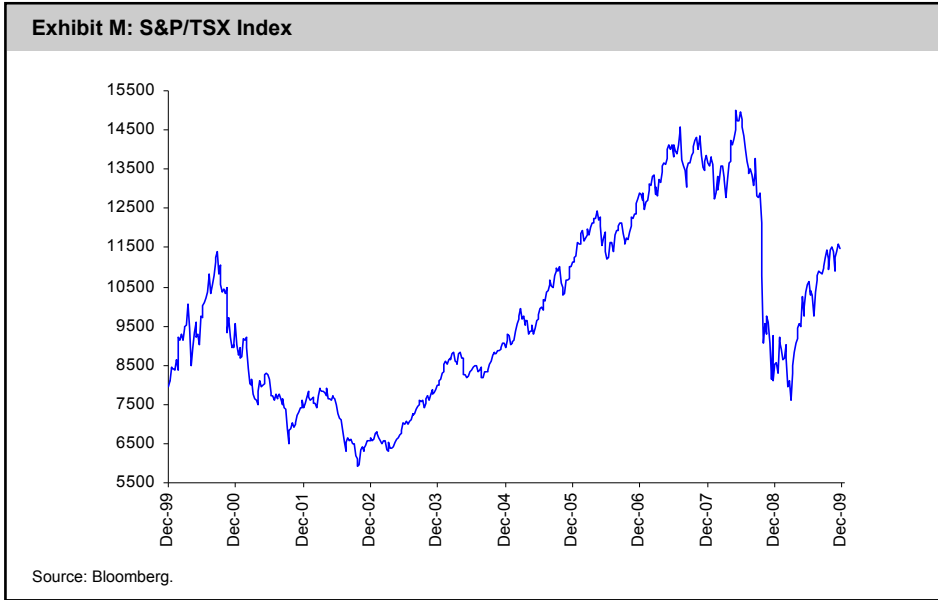
Source: Bloomberg.

Exhibit L: Currencies

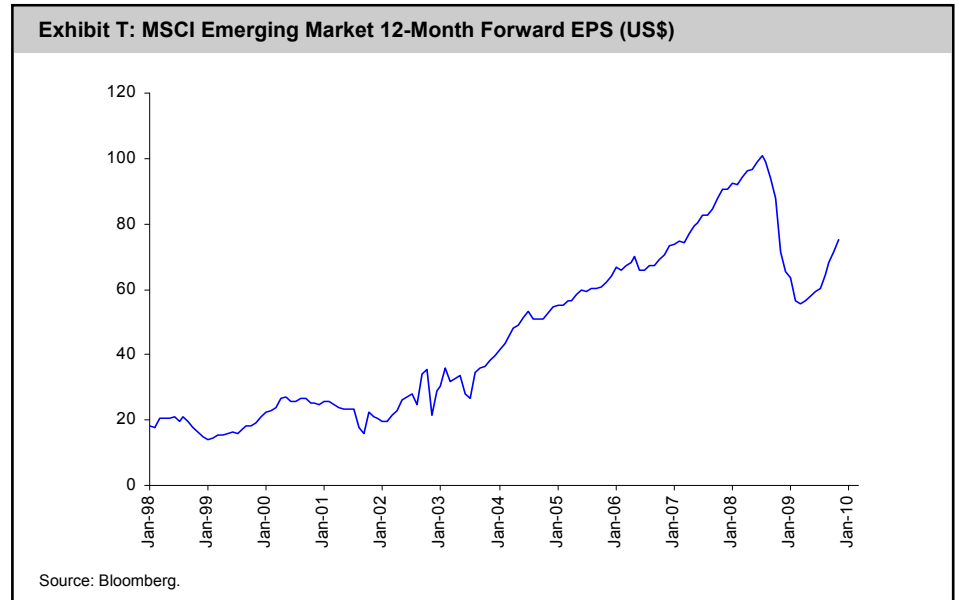
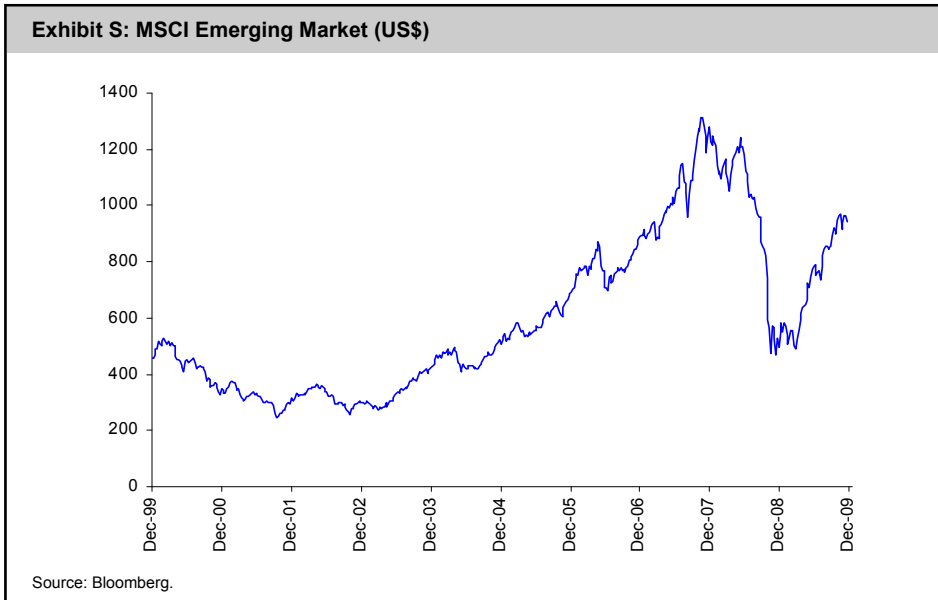
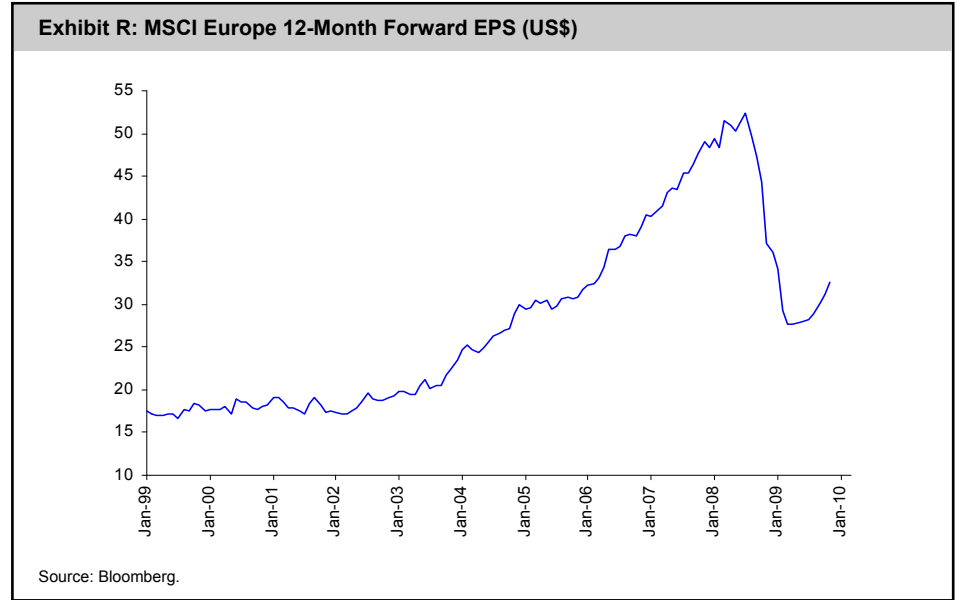
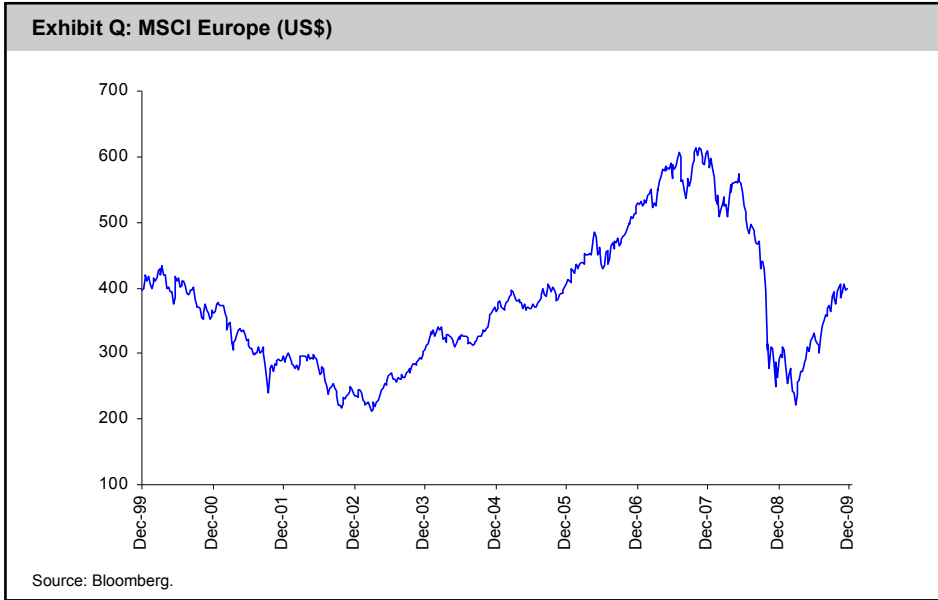
30-Nov-09	Level	Net Change					LTM
		5-D	3-M	6-M	YTD		
USD/CAD	1.056	0.000	-0.038	-0.038	-0.163	-0.193	
EUR/CAD	1.587	0.008	0.020	0.039	-0.116	0.013	
Euro (EUR/USD)	1.504	0.008	0.070	0.088	0.107	0.243	
YEN (USD/YEN)	86.45	-2.522	-6.674	-10.141	-4.197	-6.746	
Pound (GBP/USD)	1.649	-0.012	0.020	0.005	0.190	0.161	
Aussie (Aussie/USD)	0.915	-0.009	0.071	0.104	0.212	0.274	
NZ Dollar (NZD/USD)	0.716	-0.017	0.031	0.066	0.137	0.186	
Swiss Franc (USD/CHF)	1.002	-0.008	-0.057	-0.068	-0.067	-0.204	
DXY Index	74.7	-0.9	-3.4	-4.6	-6.6	-11.8	

Source: Bloomberg.

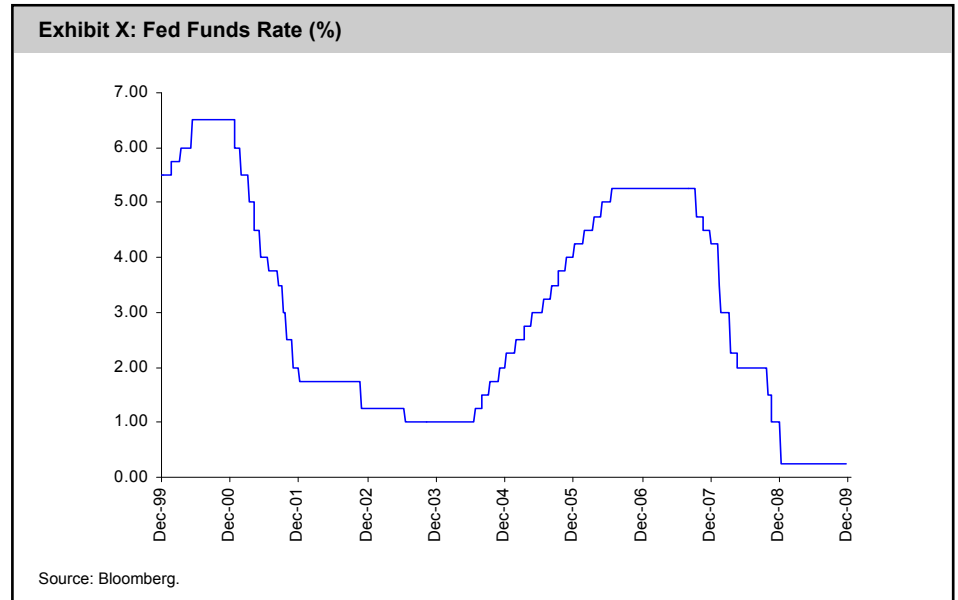
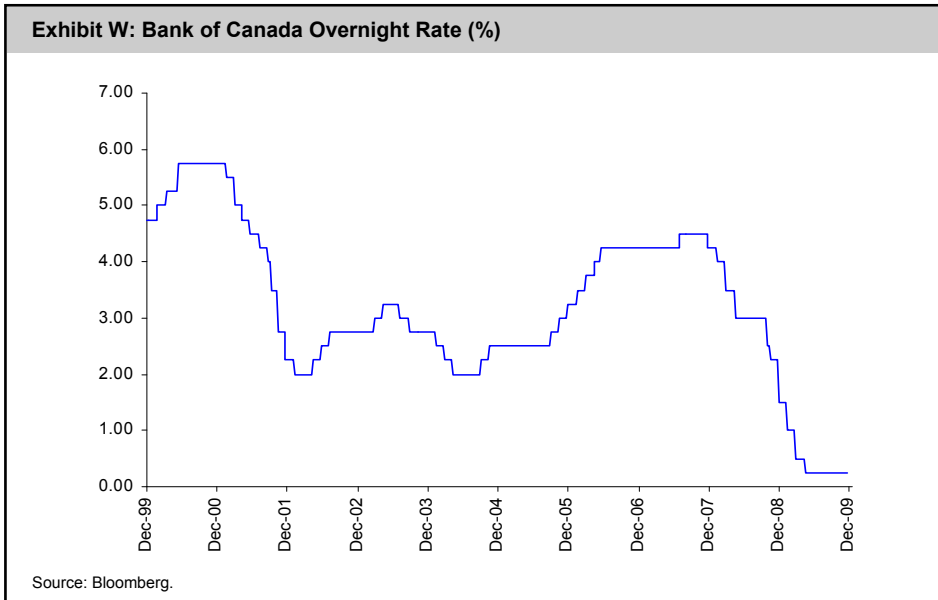
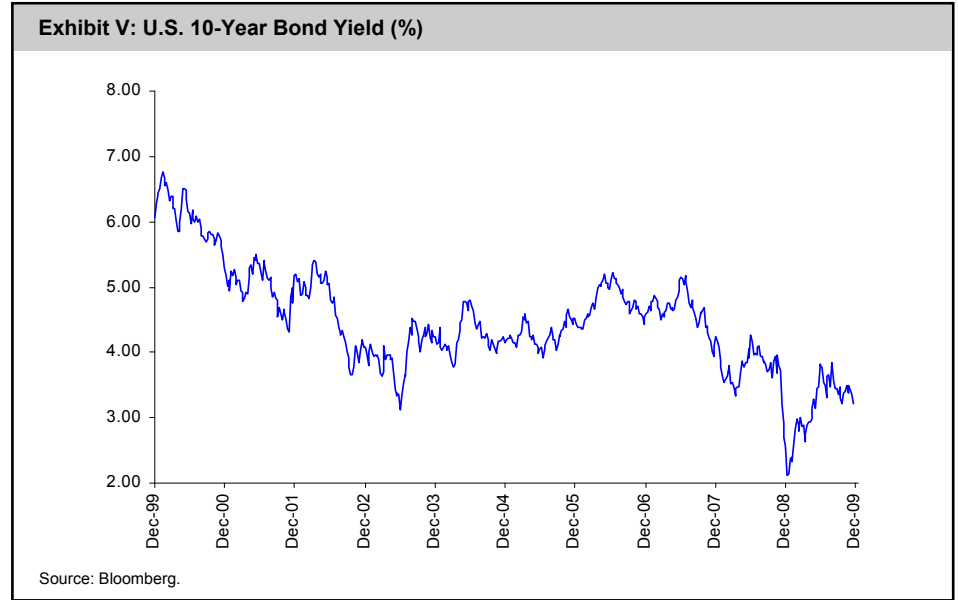
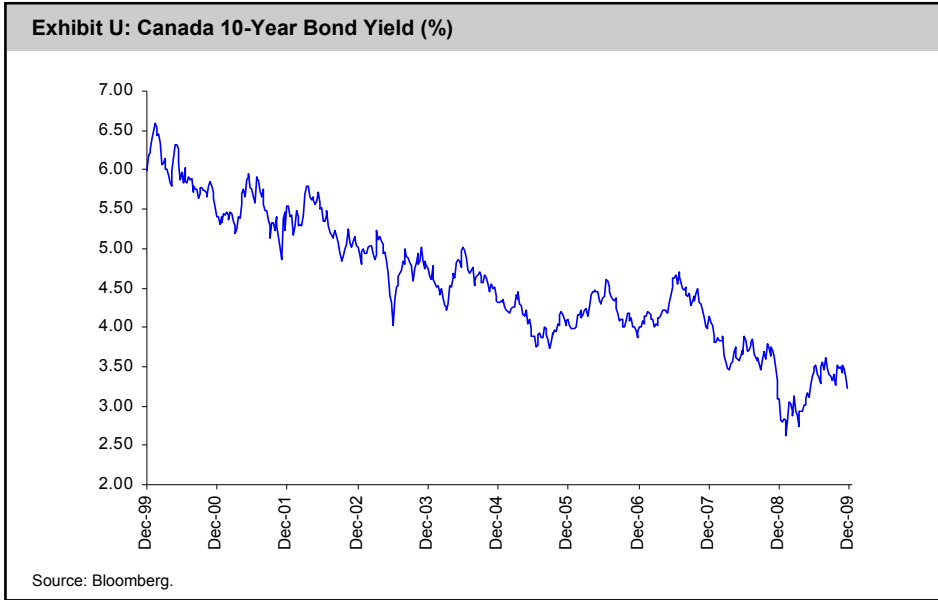
Snapshots...



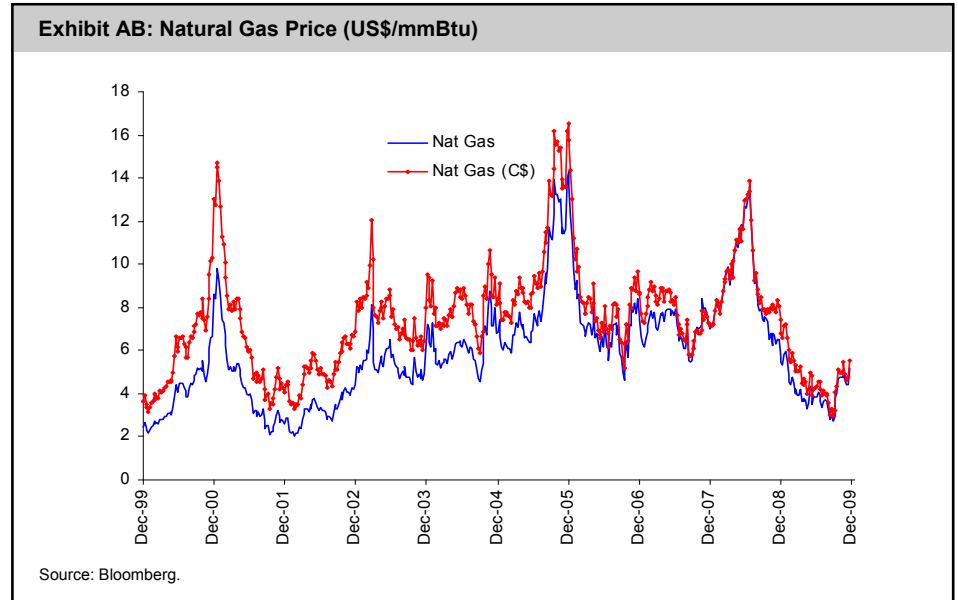
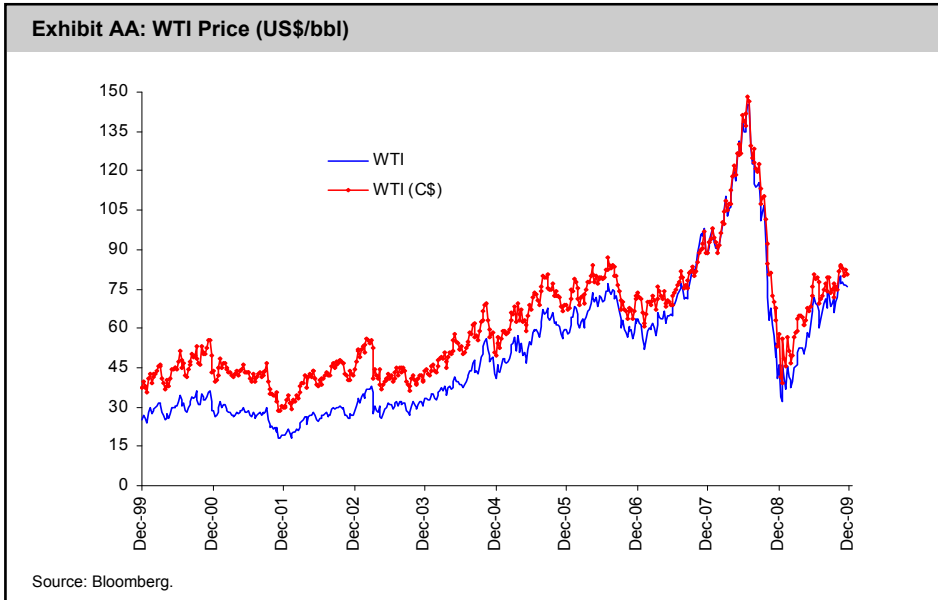
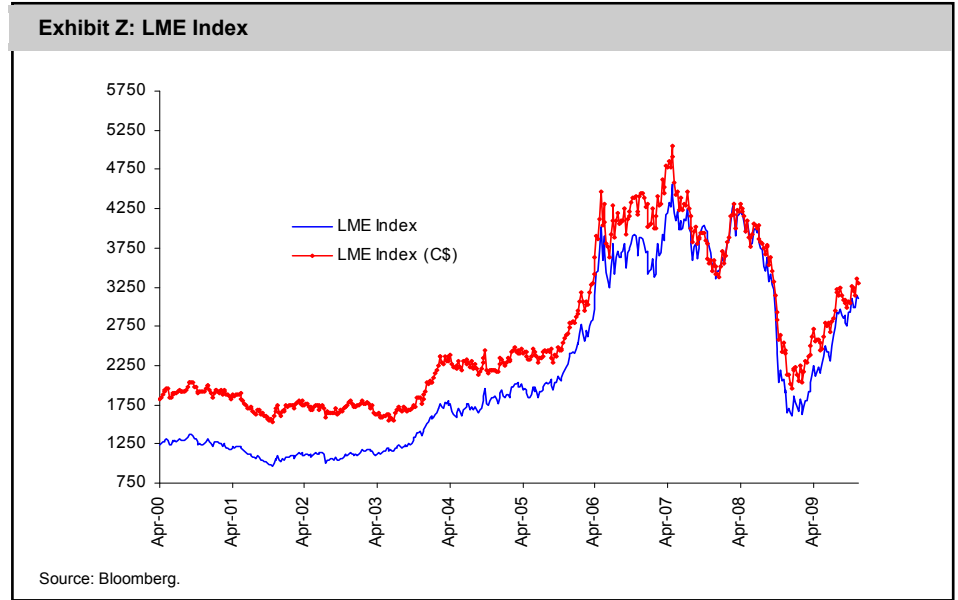
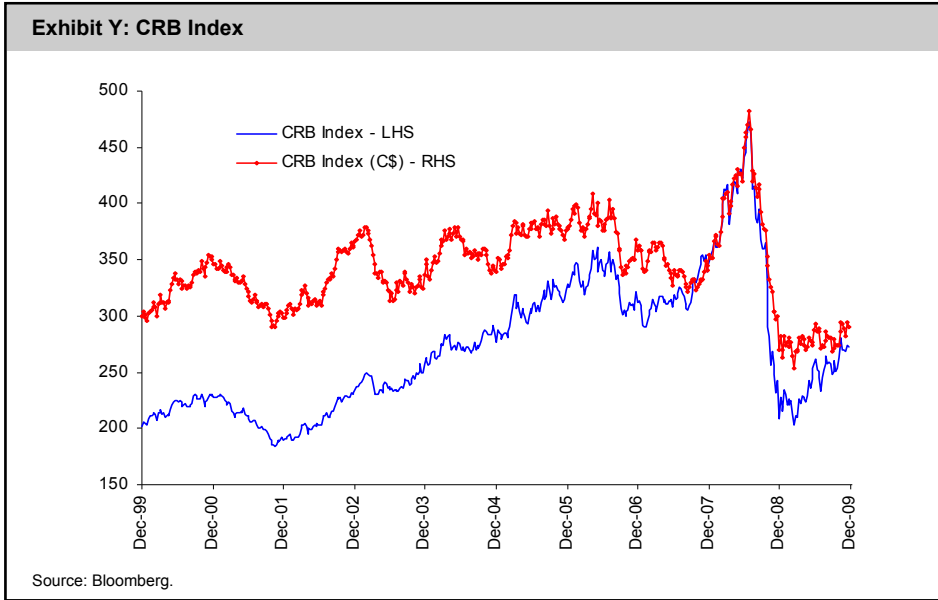
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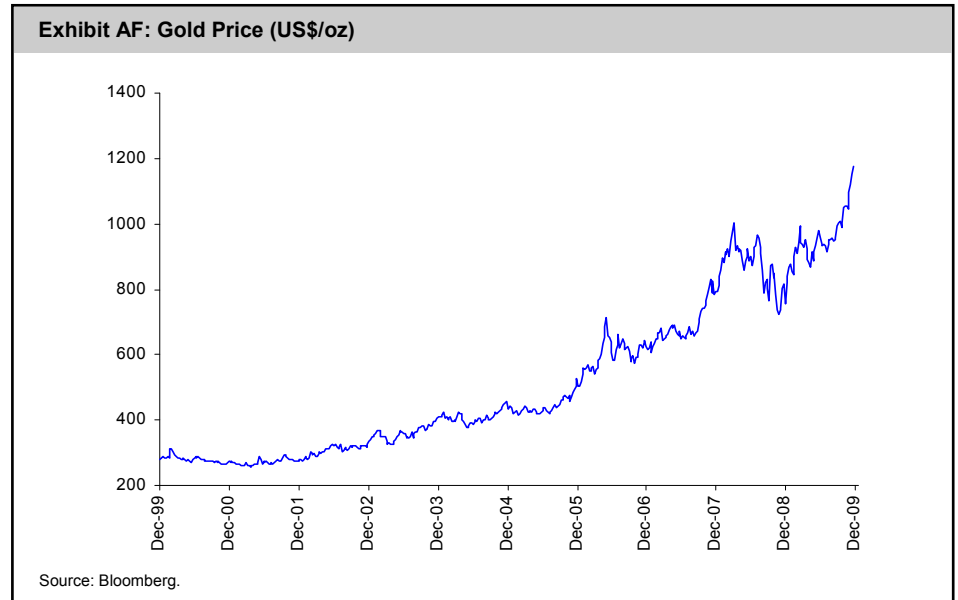
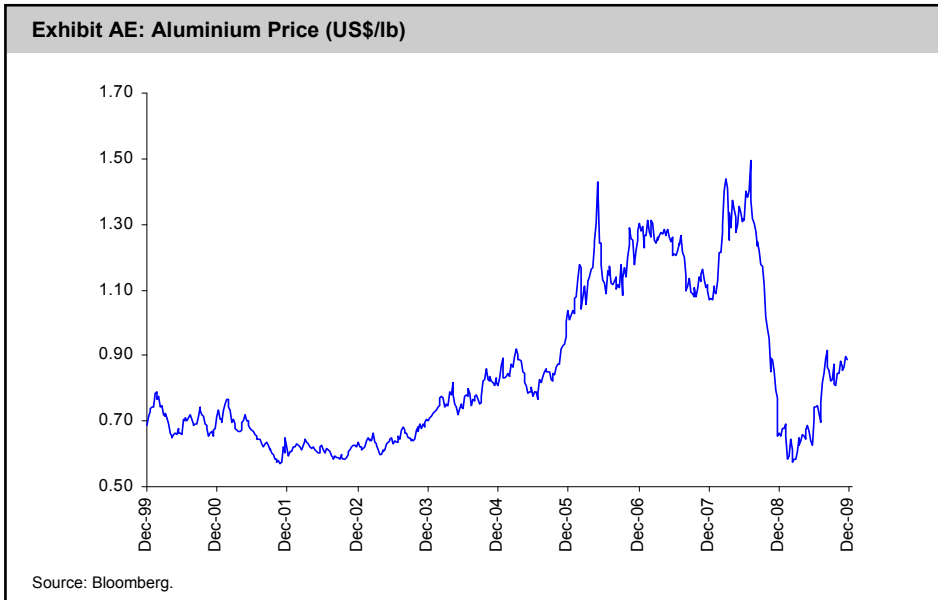
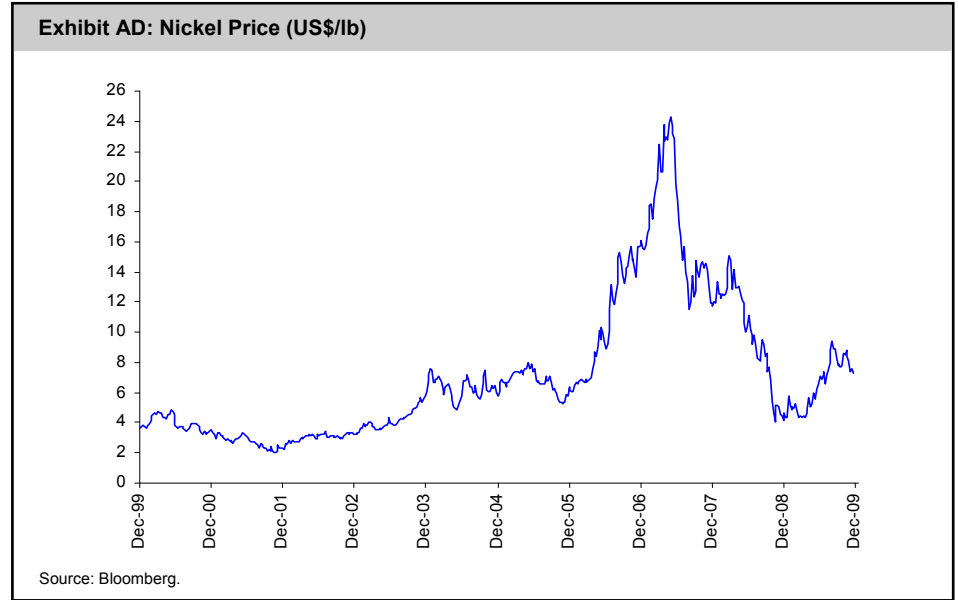
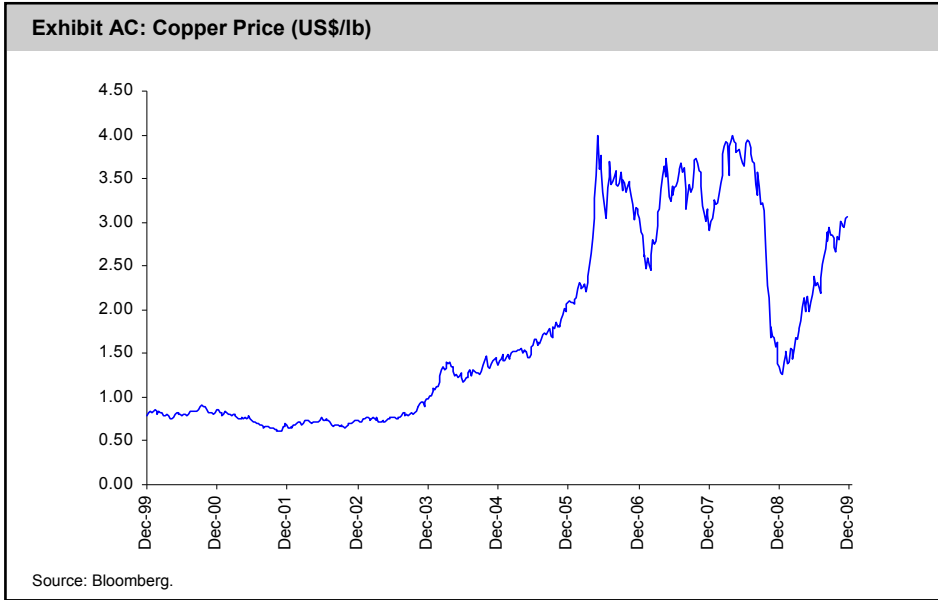
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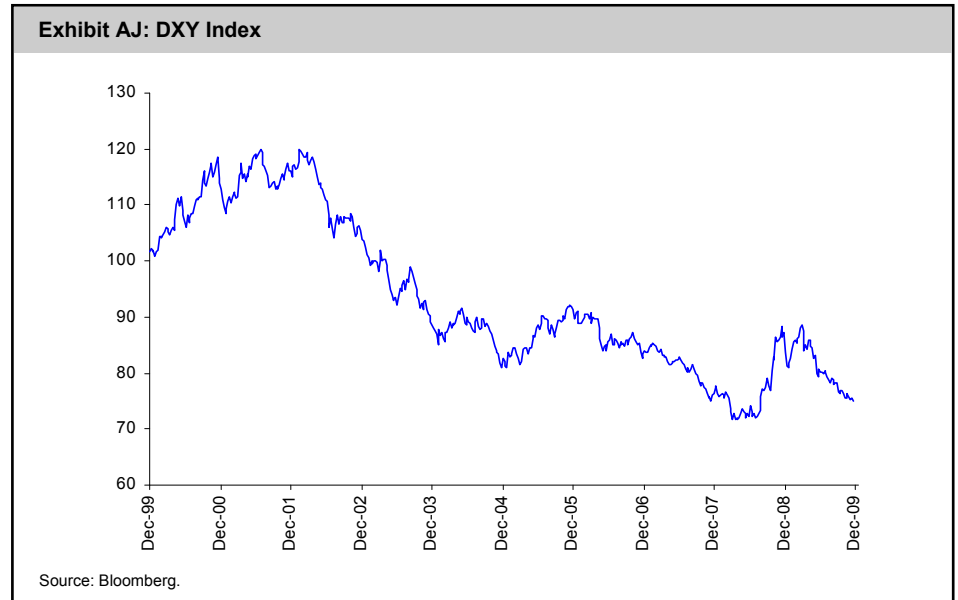
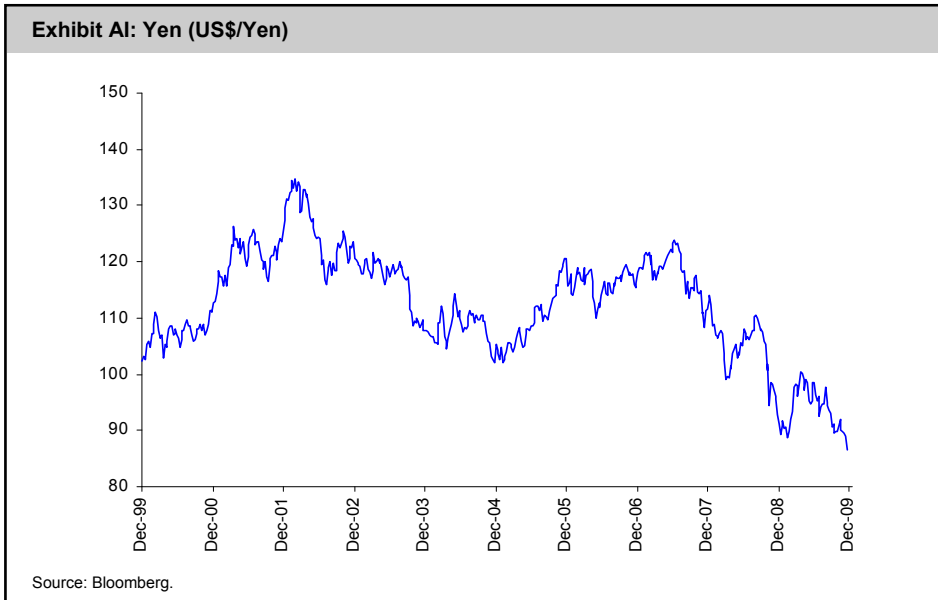
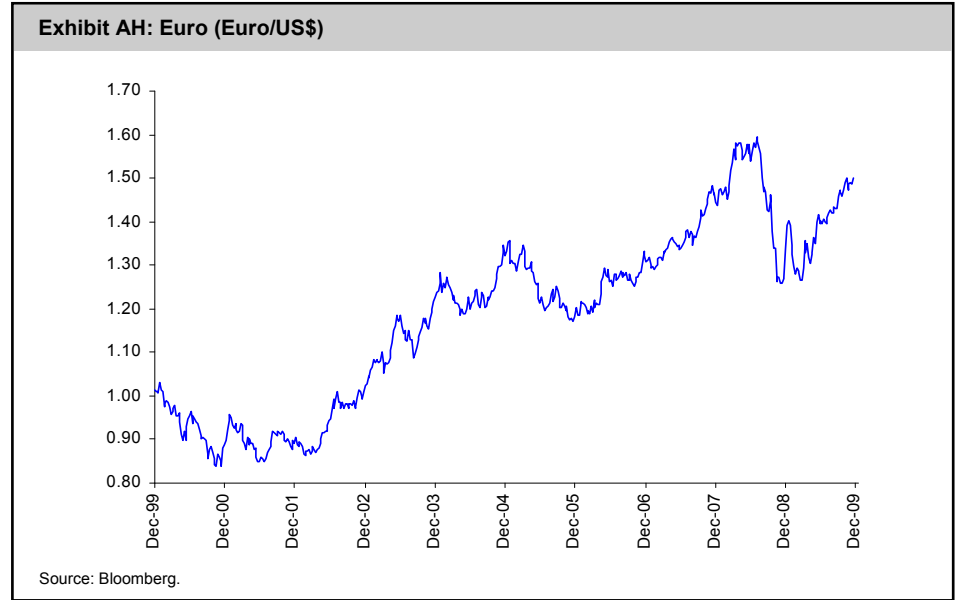
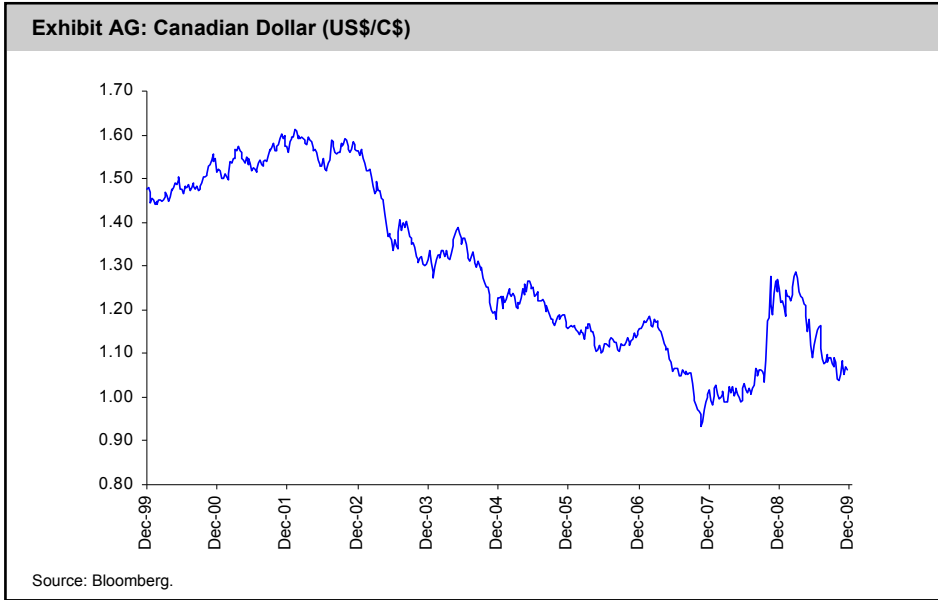
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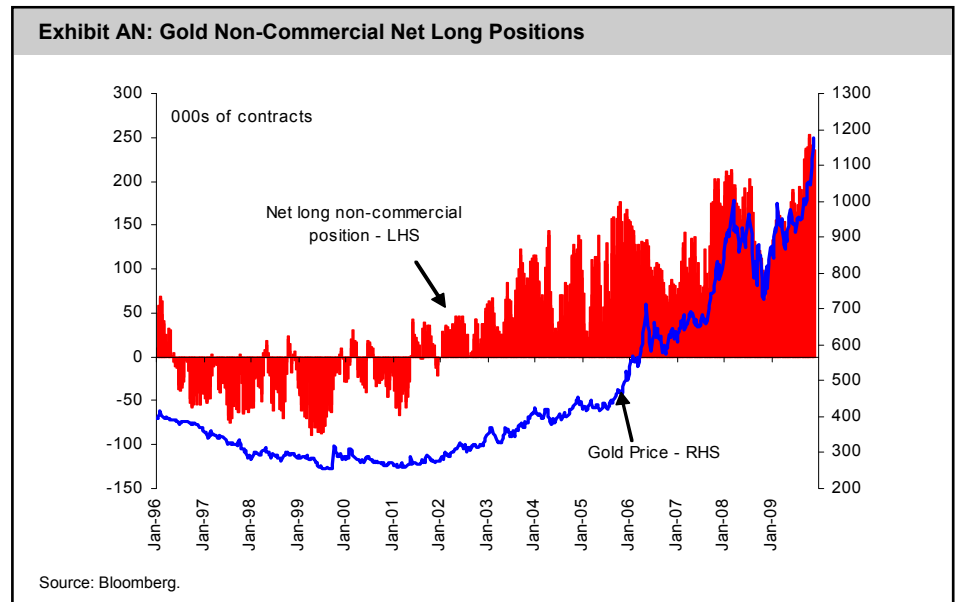
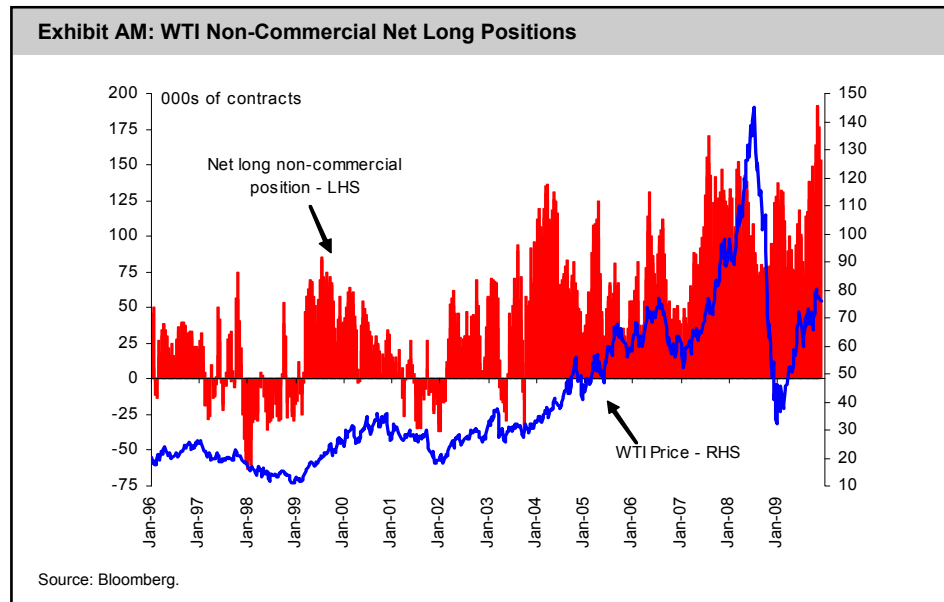
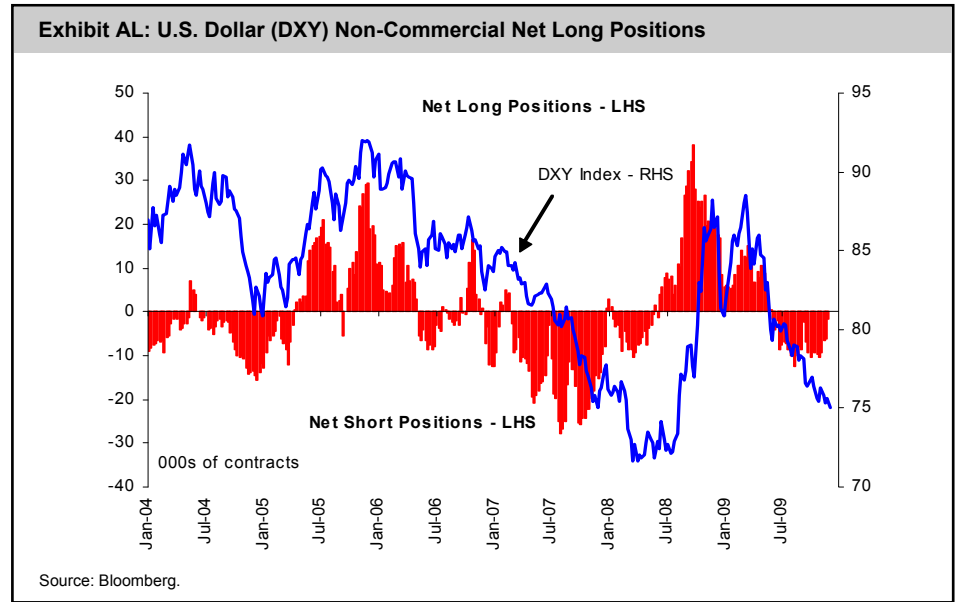
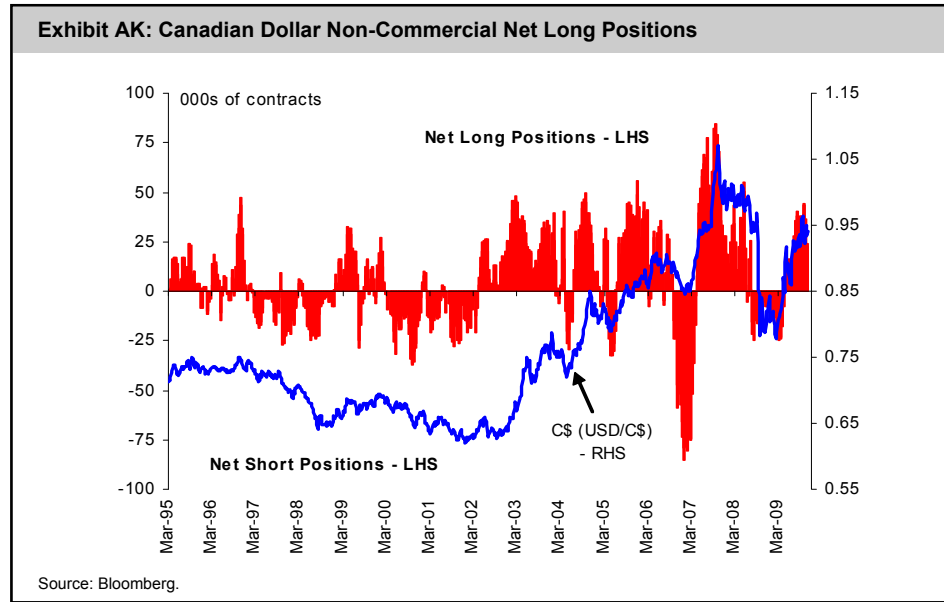
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Appendix A: Important Disclosures

Company	Ticker	Disclosures*
AGF Management Limited	AGF.B	S
Agrium Inc.	AGU	H3, H6, U
Astral Media Inc.	ACM.A	T
Bank of Montreal	BMO	H, H3, S, U
Bank of Nova Scotia	BNS	H, H3, S1, S7, U
Barrick Gold Corporation	ABX	P, T, U
BCE Inc.	BCE	B26, B8, H3, S, T
Brookfield Properties Corporation	BPO	S, T, U
Cameco Corporation	CCO	P, U
Canadian National Railway Company	CNR	H3, T, U
Canadian Natural Resources Limited	CNQ	H3
Daylight Resources Trust	DAY.UN	U
Enbridge Inc.	ENB	H3, S, U
EnCana Corporation	ECA	S, U, U17
Fortis Inc.	FTS	H3, S, U
Great-West Lifeco Inc.	GWO	H3, S, U
HudBay Minerals Inc.	HBM	H3
Husky Energy Inc.	HSE	S, U
IAMGOLD Corporation	IMG	P, T, U
Inmet Mining Corporation	IMN	U
Kinross Gold Corporation	KGC	P, T, U
Manulife Financial Corporation	MFC	H, H3, S, U
National Bank	NA	H6, S, U
Nexen Inc.	NXY	B28, H3, U
Potash Corporation of Saskatchewan, Inc.	POT	T, U
Quebecor Inc.	QBR.B	T
Red Back Mining Inc.	RBI	P, T, U
Research In Motion Limited	RIM	H3, T
Rogers Communications Inc.	RCI.B	H3, S, T, U
RONA Inc.	RON	T, U
Royal Bank of Canada	RY	H, H3, S, U
Shoppers Drug Mart Corporation	SC	H3, T, U
SNC-Lavalin Group Inc.	SNC	H3, U
Sun Life Financial Inc.	SLF	H, H3, H6, S, U
Suncor Energy Inc.	SU	H3
Talisman Energy Inc.	TLM	H3, U
Teck Resources Limited	TCK.B	H3, U
Thomson Reuters Corporation	TRI	H3, S, S2, T, U
TransCanada Corporation	TRP	H3, S, U

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B28	Thomas C. O'Neill is a director of Nexen Inc. and is a director of the Bank of Nova Scotia.
B8	Ronald Brenneman is a director of BCE Inc and is a director of the Bank of Nova Scotia.
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H3	The Head of Equity Research/Supervisory Analyst, in his/her own account or in a related account, owns securities of this issuer.
H6	The Portfolio Strategist/Associate, in his/her own account or in a related account, owns securities of this issuer.
P	This issuer paid a portion of the travel-related expenses incurred by the Fundamental Research Analyst/Associate to visit material operations of this issuer.
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T	The Fundamental Research Analyst/Associate has visited material operations of this issuer.
U	Within the last 12 months, Scotia Capital Inc. and/or its affiliates have undertaken an underwriting liability with respect to equity or debt securities of, or have provided advice for a fee with respect to, this issuer.
U17	Scotia Waterous Inc. has been retained as strategic advisor by EnCana Corp. for the proposed corporate reorganization to split along distinct business lines to create two energy companies.

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Our risk ranking system provides transparency as to the underlying financial and operational risk of each stock covered. Statistical and judgmental factors considered are: historical financial results, share price volatility, liquidity of the shares, credit ratings, analyst forecasts, consistency and predictability of earnings, EPS growth, dividends, cash flow from operations, and strength of balance sheet. The Director of Research and the Supervisory Analyst jointly make the final determination of all risk rankings.

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1-Sector Outperform

The stock is expected to outperform the average total return of the analyst's coverage universe by sector over the next 12 months.

2-Sector Perform

The stock is expected to perform approximately in line with the average total return of the analyst's coverage universe by sector over the next 12 months.

3-Sector Underperform

The stock is expected to underperform the average total return of the analyst's coverage universe by sector over the next 12 months.

Other Ratings

Tender – Investors are guided to tender to the terms of the takeover offer.

Under Review – The rating has been temporarily placed under review, until sufficient information has been received and assessed by the analyst.

Risk Rankings

Low

Low financial and operational risk, high predictability of financial results, low stock volatility.

Medium

Moderate financial and operational risk, moderate predictability of financial results, moderate stock volatility.

High

High financial and/or operational risk, low predictability of financial results, high stock volatility.

Caution Warranted

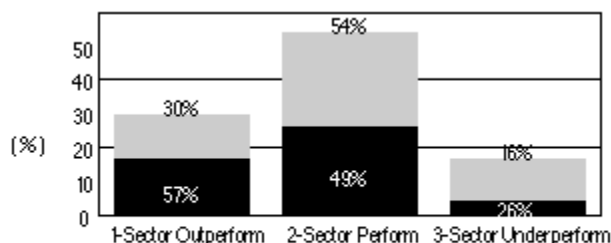
Exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, exceptionally high stock volatility. For risk-tolerant investors only.

Venture

Risk and return consistent with Venture Capital. For risk-tolerant investors only.

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■ Percentage of companies covered by Scotia Capital Equity Research within each rating category.

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* As at October 31, 2009.

Source: Scotia Capital.

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