

Weekly Market Strategy

October 22, 2007

Portfolio Strategy

Since the Federal Reserve cut its benchmark rate on September 18th by 50 basis points to 4.75%, incoming macroeconomic data has generally surprised on the upside and investors trimmed down expectations of further easing. However, the tide turned last week, as a light economic calendar in the U.S. focused almost exclusively on the persistent pains in the housing market. Housing is not getting any better and construction woes are impacting trucking and construction activity. Bond yields declined 22-46 basis points last week with yields on 3-month treasury bills falling below 4% again. The odds of Fed funds declining to 4.50% on October 31st currently stand at 74%, up from 32% two weeks ago.

The level of housing starts dropped to 1.19 million units in September and building permits also weakened. From their respective peaks hit late in 2005, housing starts and building permits are down 48% and 46%, respectively. Home builders are experiencing a painful period and D.R. Horton, the second-largest U.S. homebuilder, announced last week that it sold 39% fewer homes in calendar Q3 compared to last year with values falling 48%. Our soft landing scenario would have to be tempered should housing starts fall below 1 million units, which would imply another 16% drop. The last four U.S. consumer spending recessions (1975, 1980, 1982 and 1991) have occurred with housing starts falling below the 1 million unit threshold. In our opinion, the faith of the U.S. soft landing scenario still lies in the resilience of the employment market, especially in the services sector.

Since the early 1970s, every U.S. recession has coincided with real interest rates above 4%. Real rates currently stand at 2.65% in the U.S. and are biased lower in coming months as the Fed appears inclined on easing further. From a global perspective, real benchmark rates stand at 2.4% in Canada, 2.2% in the Eurozone, 0.7% in Japan and 0.8% in China. Hence, an easing Fed, combined with a pausing European Central Bank and easy conditions in Asia should help sustain a pro-growth environment heading into next year. The International Monetary Fund cut its 2008 growth forecast for world GDP to 4.75% from 5.2%.

In the near term, equity performance should be choppy. From the lows hit in mid-August, equity indices had staged an impressive rebound that ranged from 6% in the U.S. to 32%+ in emerging markets. Equities had their first negative stretch since mid-August last week while bonds had a strong performance. Third quarter earnings are expected to be slightly negative in the U.S. with the bulk of headline risk coming from household names in the Discretionary and Financials sectors. With 26% of S&P 500 companies having reported so far, EPS is down 0.7%. In terms of momentum, indices have quickly snapped back from their mid-August oversold levels and are now closer to overbought territory. Based on our panic-euphoria indicator, the S&P 500 is poised for consolidation and we expect further near term weakness.

- Vincent Delisle – CFA, Equity Research

Year-End North American Benchmark Information

	Recent	2007F	2008F
S&P/TSX Composite Index			
TSX Level/Target	14,001.66	14200	14200
TSX Earnings	\$725.85	\$815.00	\$850.00
TSX P/E	19.29	17.28	N/A
TSX Dividends	\$329.63	N/A	N/A
TSX Yield	2.35%	N/A	N/A
S&P 500			
S&P 500 Level/Target	1,500.63	1625.00	1625.00
S&P 500 Earnings	\$85.36	\$96.00	\$102.00
S&P 500 P/E	17.58	16.40	N/A
S&P 500 Dividends	\$27.90	N/A	N/A
S&P 500 Yield	1.86%	N/A	N/A
Fixed Income & Currency			
BoC Overnight Rate	4.50%	4.25%	4.00%
Canada 10-Year Bond	4.309%	4.30%	4.75%
Cdn/U.S. Dollar	\$0.9739	C\$0.98	C\$1.00
U.S. Fed Funds Rate	4.75%	4.25%	4.00%
U.S. 10-Year Treasury	4.391%	4.40%	5.10%
U.S. Dollar/Euro	\$1.4289	US\$1.44	US\$1.43
Commodities			
Gold	\$765.20	US\$675.00	US\$720.00
Oil (WTI)	\$88.60	US\$63.50	US\$62.35

Source: Scotia Capital

Economic Outlook

Central Banks were the topic of discussion in both the U.S. and Canada last week. Speaking in New York early in the week, Fed Chairman Ben Bernanke caused quite a stir in global markets by indicating that the ongoing correction in the housing sector will be a significant drag on U.S. growth, especially in the midst of uncertainty around how prolonged and widespread the current housing downturn will be. Although Bernanke did not commit to any specific policy action at the next Federal Open Market Committee (FOMC) meeting on October 31st, he clearly left the door open to more rate cuts which may be needed to support market liquidity and sustainable economic growth. Other data released served to reinforce the view that housing, and the risk it poses to growth, is the primary threat to the U.S. economy, a change from prior months where inflation was the focus. U.S. Housing Starts posted a 10.2% decline and a 14-year low. Inflation data meanwhile remains benign with core Consumer Price Index (CPI) coming in right on expectations at 2.1% year-over-year. The Federal Reserve's Beige Book provided anecdotal information on industries across the U.S., showing that growth is slowing and highlighting the risks to growth.

In Canada, the focus fell on the Bank of Canada (BoC) with Tuesday's rate announcement and Thursday's Monetary Policy Report, although neither provided many surprises. As expected, the BoC held the overnight rate steady at 4.50% and provided revised growth estimates based on a greater than expected slowing in the housing sector. Projected economic growth for the U.S. was revised downward for 2007 and 2008, while expectations of a slowdown in Canada were pushed beyond 2007 as the economy currently continues to run above its production potential. The Monetary Policy Report did not sway from Tuesday's statement; however, it did provide some interesting commentary on the risks to growth, noting that the U.S. housing correction has the potential to slow growth in Canada much more than previously expected. The BoC was non-committal on future rate actions but judged the overnight rate to be consistent with achieving their inflation target over the medium term. The bigger story in Canada was inflation, when core CPI unexpectedly jumped higher in September. The annual comparison figure continued to moderate but not to the degree markets were expecting.

After Bernanke's focus on housing last week, reports on Existing and New Home Sales will dominate the markets focus in the U.S. this week. Existing Home Sales have dropped for the past six months in a row and September is expected to be no different. New Home Sales should also move lower in spite of the warm weather in September and homebuilder discounts. Durable Goods Orders, a measure of manufacturing activity, will be another area of focus after dropping nearly 5% in August. Markets expect the data to post a small gain, supported mainly by strong global demand.

In Canada, this week's focus will be on Retail Sales. July's figure showed widespread declines, along with a large drop in auto sales. Sales in August will likely gain back some of that loss. Much of the rebound will be attributed to a bounce back in auto sales, but the rise in employment along with strength reported by Retailers will also provide a lift.

-Carolyn Tjart, Portfolio Advisory Group - Fixed Income

Bond Yields - Weekly Performance

	October 19	October 12	Change (bps)
Canada 2-Year Bond	4.15	4.37	-22
Canada 10-Year Bond	4.31	4.49	-18
Canada 30-Year Bond	4.38	4.53	-15
BoC Target Overnight	4.50	4.50	0
Prime	6.25	6.25	0
U.S. 2-Year Bond	3.79	4.23	-44
U.S. 10-Year Bond	4.39	4.68	-29
U.S. 30-Year Bond	4.69	4.90	-21
Federal Funds	4.75	4.75	0
Prime	7.75	7.75	0

Source: Scotia Capital

Fixed Income Strategy

Last week, trading direction in the U.S. and Canadian bond markets was dictated by two main factors. First, the market now appears fully focused on the risk to the downside in the U.S. economy, which is a shift from the inflation risk which held for the majority of this year. This was in response to U.S. Federal Reserve Chairman Ben Bernanke's warning that the Housing industry's contraction will be a significant drag on U.S. growth into next year, and as economic numbers came in slightly lower than expected. Second, North American equity markets were hesitant to break through to new cycle highs early in the week and investors began selling for the safety of bonds. Treasury yields fell by 0.44% in the short end and 0.22% in the long end of the curve by the end of the week. Fed Fund futures contracts are now trading with 92% implied probability the Fed will cut rates by 0.25% on October 31st.

Both releases from the Bank of Canada (BoC) last week had little impact on the Canadian yield curve, which was more influenced by the direction of yields in the U.S. The Core Consumer Price Index (CPI), which came out slightly higher than expected on Friday, also did not cause yields to rise – as the fear of slowing growth in the U.S. had yields trading lower. The Canadian yield curve shifted lower by approximately 0.40% - 0.21% across the curve. Currently, the Canadian Bankers Acceptance futures contracts are not pricing in a cut from the BoC until March of 2008.

Despite the significant moves to the Canadian yield curve last week, we are not convinced the fundamentals of the Canadian economy have changed. The economy continues to expand, we are not experiencing a housing slowdown similar to that in the U.S., and inflation is within the target range of the Bank of Canada. For this reason, we believe yields will continue to be volatile in the short term. Therefore our recommendations have not changed:

1. **Passive investors:** Do not change your building and or rolling of ladders or index strategies. Rather look for the widening of credit spreads in the financial sector as a great opportunity to lock in higher yields.
2. **Active investors:** During times of volatility, we are happy to remain in the short end of the yield curve to await opportunities. We are likely to see further credit volatility, especially in the financial sector. We prefer the agency, provincial and municipal sectors at this juncture.
3. **Currency markets:** With the recent run-up in the Canadian dollar, consensus forecast is calling for appreciation in foreign currencies going forward, providing some opportunities for domestic investors. However, Scotia Economics latest forecast is calling for continued parity with the U.S. dollar as their one year target. On this news, we are comfortable remaining in domestic currency bonds at this time.

- *Chris Kennedy, CFA - Associate, Portfolio Advisory Group - Fixed Income*

Canadian Equity Strategy

FRIDAY'S SELL-OFF CREATES A GREAT BUYING OPPORTUNITY FOR ROGERS COMMUNICATIONS

North American markets fell by 2.5% on average last Friday due to increased speculation that the U.S. economy may not be as strong as once thought. This affected markets across all sectors including some defensive equities. Rogers Communications (RCI.b) fell \$1.62 or 3.37% to \$46.42. Although we have been bullish on Rogers Communications since July 2005, we still keep our eyes open in particular for sell offs which create even better buying opportunities. We also believe the timing is right based on the calendar as Rogers Communications is about to report third quarter earnings on November 1.

Last week Scotia Telecommunications analyst John Henderson provided a telco sector third quarter preview research note where he highlights that Rogers' consolidated revenue, EBITDA and EPS growth are estimated at 13%, 21% and 68%, respectively. He also emphasized that Rogers' attractive asset mix (wireless, cable and media) is unmatched in North American telecommunications.

Not only is the earnings growth story compelling at Rogers but so is the company's phenomenal ability to generate free cash flow. Scotia Capital is forecasting free cash flow of \$426 million in Q3 (before changes in non-cash working capital and dividends), \$1.4 billion in 2007, and \$2.2 billion in 2008. These estimates include incremental spending for high-speed wireless data, Call-Net integration and rural cable upgrades, but exclude investments in spectrum estimated at \$100 million in 2008. Virtually all Rogers' free cash flow is generated by its wireless division.

Rogers shares have been held back recently, likely due to concerns about the rules for Canada's pending spectrum auction. Scotia Capital believes new competition should be expected as Videotron and Manitoba Telecom (MBT) will very likely bid for spectrum while there is a possibility a few other niche players may emerge. Videotron would represent new competition in Quebec covering only about 15% of Rogers' nationwide network. Outside Quebec, Videotron could rely on its existing wholesale arrangement with Rogers for access to roaming. Manitoba Telecom might deploy a more national rollout, but Scotia believes the significant earnings dilution of doing so, and the corresponding impact on MTS dividends, would cause it to choose a "go slow" and selective approach.

However, Henderson notes, "competitive impacts should be muted. We compare the likely "go slow" approach of Manitoba Tel and the limited geographic presence of Videotron with Microcell's aggressive competitive approach after it emerged from bankruptcy in 2003. Microcell had the benefit of a national network, a highly recognized consumer brand, well-established distribution channels, a clean balance sheet, and very aggressive/unique price plans, which allowed it to gain share against the incumbents. However, despite these significant advantages, Microcell's impact on incumbent carriers was virtually indiscernible. Rogers, TELUS (T) and Bell Mobility (BCE) enjoyed some of their best operating performance in the period after Microcell emerged from bankruptcy until Rogers acquired it in late 2004. Clearly, Canada's incumbent carriers learned how to compete against new entrants without damaging industry profitability. We believe MTS and Videotron will be much less effective competitors than Microcell at least for the next five years."

With Henderson's views on possible future competition and recent share price weakness taken into consideration, we believe the time to buy Rogers is now. Rogers is rated a 1-Sector Outperform with a \$60.00 one year target.

- **Gareth Watson, CFA** – Associate Director, Portfolio Advisory Group

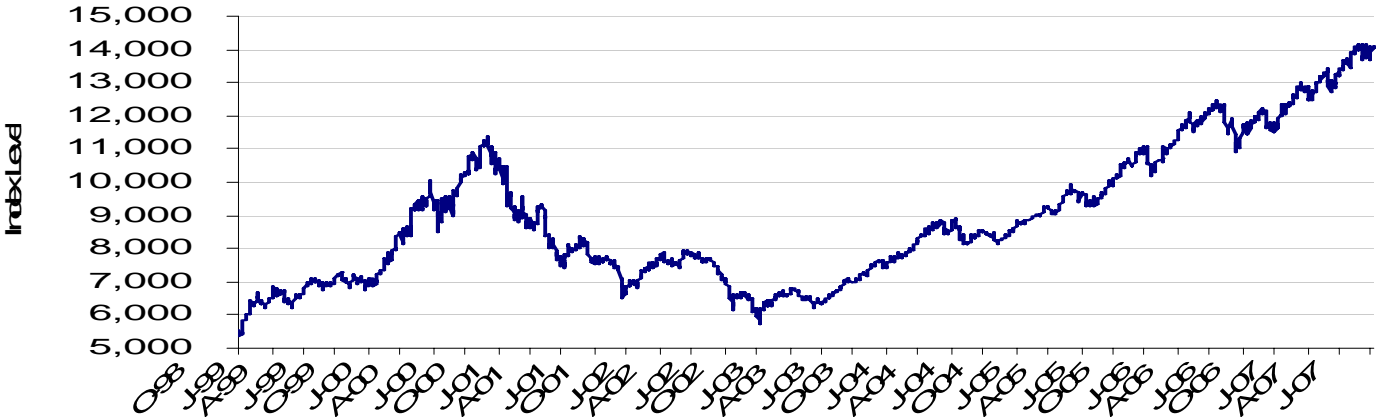
Equity Indices - Weekly Performance

Equity Index	Close	Weekly Change		YTD Return
	10/19/2007	Points	%	%
S&P/TSX Composite Index	14001.66	-294.20	-2.1%	+8.5%
Dow Jones Industrial Avg.	13522.02	-571.06	-4.1%	+8.5%
S&P 500	1500.63	-61.17	-3.9%	+5.8%
Nasdaq Composite	2725.16	-80.52	-2.9%	+12.8%
FTSX-100 (London)	6527.90	-202.80	-3.0%	+4.9%
CAC-40 (Paris)	5740.48	-103.47	-1.8%	+3.6%
DAX (Frankfort)	7884.12	-157.14	-2.0%	+19.5%
Nikkei (Tokyo)	16814.37	-516.80	-3.0%	-2.4%
Hang Seng (H.K.)	29465.05	626.68	+2.2%	+47.6%

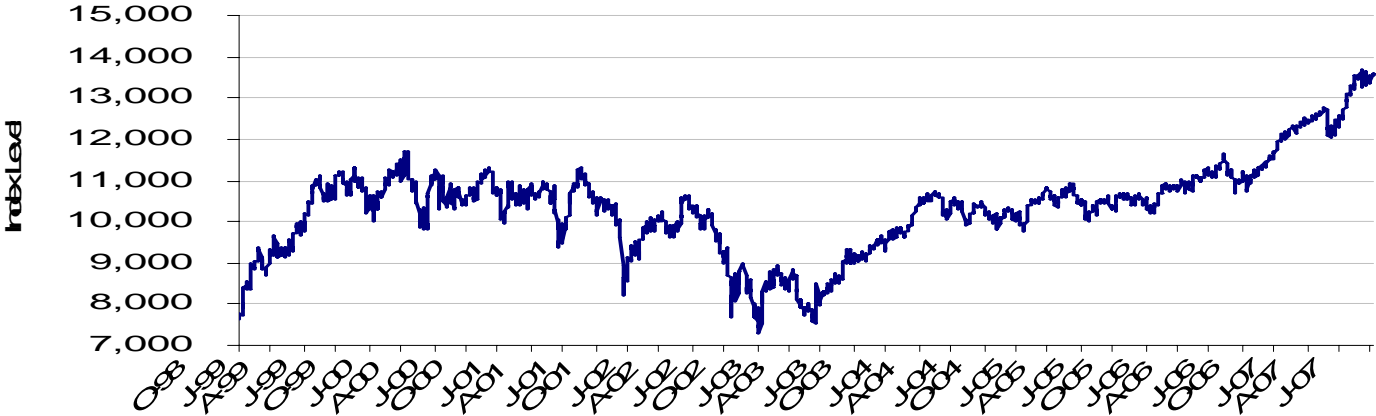
Source: Scotia Capital

Weekly Market Strategy

- S&P/TSX Composite Index

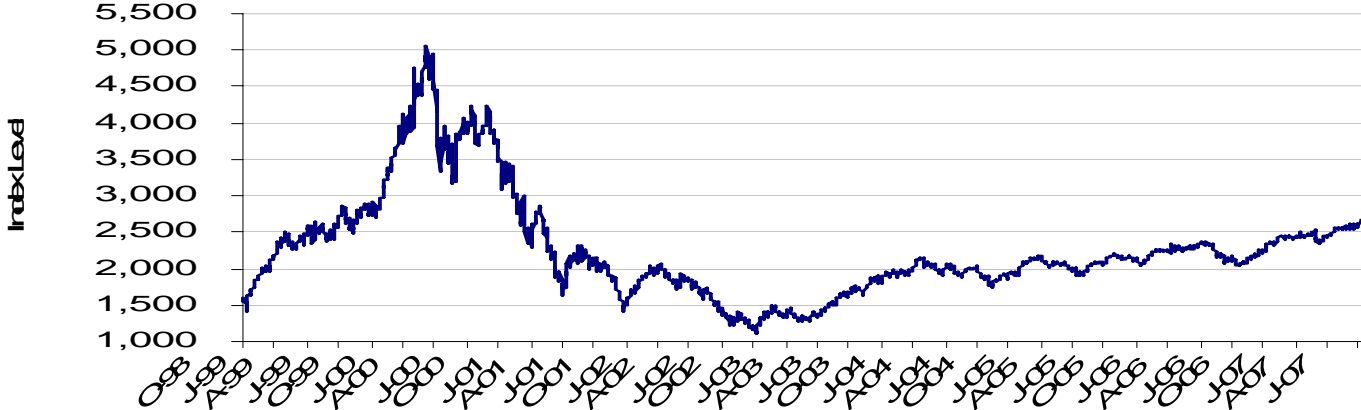


-Dow Jones Industrial Average

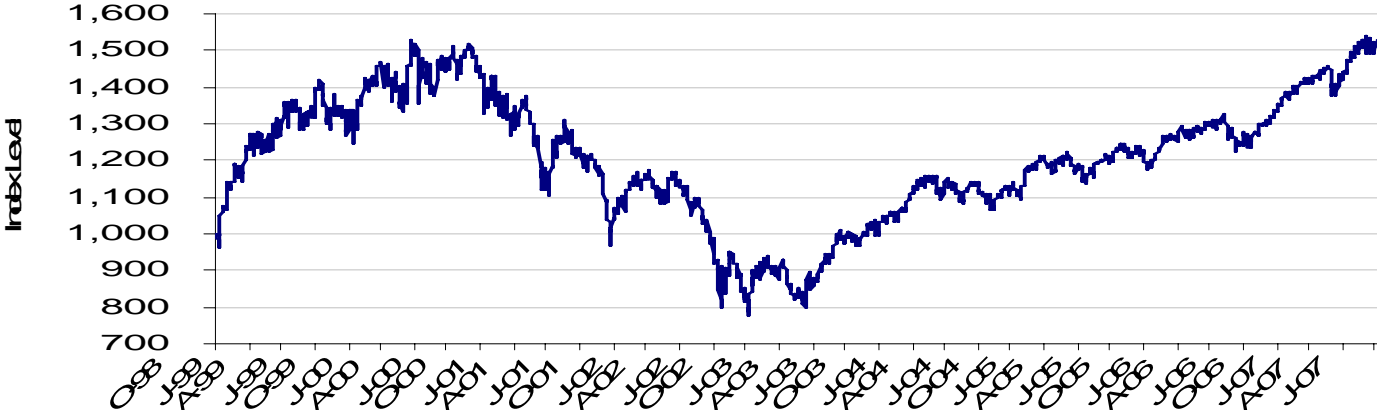


Weekly Market Strategy

- NASDAQ



- S&P 500 Index



Definition of Scotia Capital Equity Research Ratings & Risk Rankings

We have a three-tiered rating system, with ratings of 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform. Each analyst assigns a rating that is relative to his or her coverage universe.

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.

Ratings

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

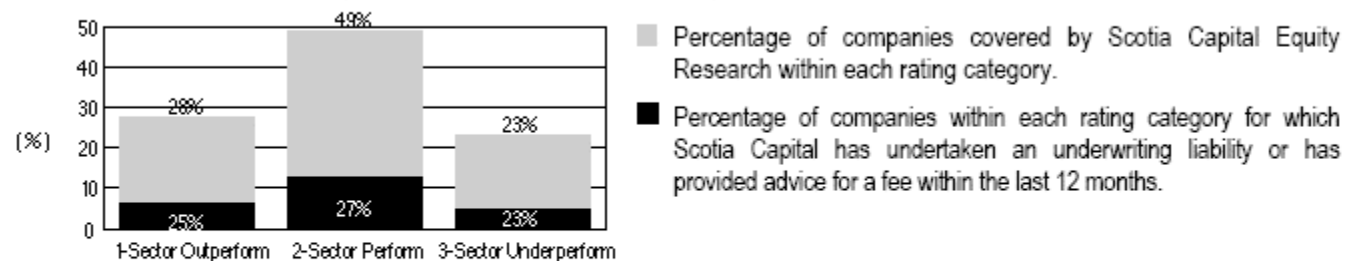
Exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, exceptionally high stock volatility. For risk-tolerant investors only.

Venture

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

Scotia Capital Equity Research Ratings Distribution*

Distribution by Ratings and Equity and Equity-Related Financings*



*As at January 31, 2007.

Source: Scotia Capital.

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Weekly Market Strategy

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The supervisors of the Portfolio Advisory Group own securities of the following companies.

TELUS Corporation,

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Canadian Equity Recommended List



Sector	Symbol	Rating	Risk	scQFactor +	Date Added	Price Added	Price 19OCT7	Target Price	Target ROR	Div.	Div. Yield	
Financials (S&P/TSX Weight 29.5%, Recommend Overweight)												
	AGF Management Limited ^	AGF.B	1-SO	High	2	5OCT6	\$ 22.61	\$ 33.28	\$ 45.00	37.6%	\$ 0.80	2.4%
	Canadian Imperial Bank of Commerce ^#	CM	2-SP	Low	2	26APR7	\$ 98.55	\$ 96.71	\$ 115.00	22.5%	\$ 3.48	3.6%
	Calloway REIT #	CWT.UN	1-SO	Medium	n.a.	3NOV6	\$ 28.45	\$ 24.65	\$ 28.40	21.5%	\$ 1.55	6.3%
	Manulife Financial Corporation ^	MFC	2-SP	Low	2	11OCT2	\$ 16.95	\$ 40.95	\$ 44.00	9.6%	\$ 0.88	2.1%
	Power Financial Corporation ^#	PWF	2-SP	Low	1	5OCT6	\$ 34.89	\$ 40.76	\$ 45.00	13.2%	\$ 1.16	2.8%
	Royal Bank of Canada ^#	RY	1-SO	Low	4	6SEP5	\$ 41.20	\$ 53.28	\$ 75.00	44.5%	\$ 2.00	3.8%
	Sun Life Financial Inc. ^#	SLF	1-SO	Low	3	13FEB7	\$ 52.41	\$ 51.03	\$ 58.00	16.3%	\$ 1.36	2.7%
	Toronto-Dominion Bank ^#	TD	1-SO	Low	3	18DEC3	\$ 43.23	\$ 69.00	\$ 90.00	33.7%	\$ 2.28	3.3%
Telecommunication Services (S&P/TSX Weight 5.6%, Recommend Overweight)												
	BCE Inc. #	BCE	2-SP	Low	1	15SEP99	\$ 17.27	\$ 40.66	\$ 42.75	8.7%	\$ 1.46	3.6%
	Rogers Communications Inc. ^	RCL.B	1-SO	Medium	1	9FEB6	\$ 23.08	\$ 46.42	\$ 60.00	30.3%	\$ 0.50	1.1%
	TELUS Corporation ^#	T	2-SP	Medium	6	6APR6	\$ 46.84	\$ 55.63	\$ 64.00	17.7%	\$ 1.50	2.7%
Utilities (S&P/TSX Weight 1.5%, Recommend Underweight)												
Consumer Discretionary (S&P/TSX Weight 5.0%, Recommend Market Weight)												
	The Thomson Corporation #	TOC	1-SO	Low	7	26APR7	U\$44.08	U\$43.50	U\$52.00	21.8%	U\$0.98	2.3%
	Yellow Pages Income Fund ^#	YLO.UN	1-SO	Low	n.a.	5OCT6	\$ 14.70	\$ 13.78	\$ 16.25	25.8%	\$ 1.09	7.9%
Consumer Staples (S&P/TSX Weight 2.6%, Recommend Market Weight)												
	Shoppers Drug Mart Corporation ^	SC	1-SO	Low	1	27JUL5	\$ 41.52	\$ 54.12	\$ 62.50	16.7%	\$ 0.64	1.2%
Health Care (S&P/TSX Weight 0.6%, Recommend Underweight)												
Industrials (S&P/TSX Weight 5.3%, Recommend Overweight)												
	Canadian National Railway Company ^	CNR	n.a.	n.a.	5	22NOV4	\$ 33.25	\$ 51.04	n.a.	n.a.	\$ 0.84	1.6%
Technology (S&P/TSX Weight 4.9%, Recommend Underweight)												
Energy (S&P/TSX Weight 27.1%, Recommend Underweight)												
	Bow Valley Energy Ltd.	BVX	1-SO	High	n.a.	30SEP5	\$ 5.84	\$ 6.23	\$ 8.75	40.4%	\$ 0.00	0.0%
	Enbridge Inc. ^#	ENB	1-SO	Low	5	6NOV1	\$ 22.26	\$ 37.00	\$ 41.00	14.1%	\$ 1.23	3.3%
	Husky Energy #	HSE	3-SU	Medium	3	12DEC6	\$ 39.58	\$ 42.74	\$ 40.00	-4.1%	\$ 1.00	2.3%
	Nexen Inc. ^	NXV	2-SP	High	9	5JUL7	\$ 33.05	\$ 30.84	\$ 34.00	10.6%	\$ 0.10	0.3%
	Petro-Canada ^	PCA	1-SO	Medium	3	3AUG5	\$ 45.46	\$ 51.99	\$ 67.00	29.9%	\$ 0.52	1.0%
	Suncor Energy ^	SU	3-SU	Medium	4	19JUL6	\$ 90.20	\$ 100.96	\$ 104.00	3.4%	\$ 0.40	0.4%
	Talisman Energy Inc. ^	TLM	1-SO	High	7	6APR6	\$ 21.88	\$ 19.73	\$ 24.00	22.5%	\$ 0.18	0.9%
	TransCanada Corporation #	TRP	1-SO	Low	5	6APR6	\$ 33.70	\$ 37.17	\$ 41.00	14.0%	\$ 1.36	3.7%
Basic Materials (S&P/TSX Weight 17.9%, Recommend Underweight)												
	Barrick Gold Corporation ^	ABX	1-SO	Medium	3	29MAR6	U\$26.70	U\$41.60	U\$55.00	32.9%	U\$0.30	0.7%
	Agrium Inc. ^	AGU	1-SO	High	2	26SEP7	\$ 54.01	\$ 52.88	\$ 67.00	26.9%	U\$0.11	0.2%
	Teck Cominco Ltd. ^	TCK.B	2-SP	High	5	5JUL7	\$ 46.71	\$ 46.70	\$ 50.00	9.2%	\$ 1.00	2.1%

^ Canadian Core Portfolio Stocks.

Canadian Income Plus Portfolio Stocks.

+ scQFactor is a quantitative equity ranking algorithm produced by Scotia Capital's QUANTResearch team. Stocks are ranked based on their relative scores and are shown in deciles (1=Best, 10=Worst). scQFactor currently has 20 factor models contributing to the overall rank.

Rating definitions:

1-SO = Sector Outperform

2-SP = Sector Perform

3-SU = Sector Underperform

T = Tender

UR = Under Review

R = Restricted

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This issuer paid a portion of the travel-related expenses incurred by the Fundamental Research Analyst/Associate to visit material operations of this issuer.

Barrick Gold Corporation, Canadian National Railway Company, Teck Cominco Ltd.

Scotia Capital Restriction -- U.S. (American)

Canadian National Railway Company

Scotia Capital Restriction

Canadian National Railway Company

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The Fundamental Research Analyst/Associate has visited material operations of this issuer.

Barrick Gold Corporation, Teck Cominco Ltd., The Thomson Corporation, Yellow Pages Income Fund

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Sector	Symbol	Rating	Risk	Date Added	Price Added	Price 19OCT7	Target Price	Target ROR	Annual Distribution	Running Yield
Financials (S&P/TSX Weight 29.5%, Recommend Overweight)										
Allied Properties REIT	AP.UN	1-SO	High	18Oct7	\$21.37	\$ 21.28	\$23.50	16.4%	\$ 1.26	5.9%
Artis REIT	AX.UN	1-SO	High	19Jun7	\$17.15	\$ 17.07	\$19.25	18.9%	\$ 1.05	6.2%
Calloway REIT	CWT.UN	1-SO	Medium	3NOV6	\$28.45	\$ 24.65	\$28.40	21.5%	\$ 1.55	6.3%
Telecommunication Services (S&P/TSX Weight 5.6%, Recommend Overweight)										
Utilities (S&P/TSX Weight 1.5%, Recommend Underweight)										
Consumer Discretionary (S&P/TSX Weight 5.0%, Recommend Market Weight)										
Consumers' Waterheater Income Fund, The	CWI.UN	1-SO	Low	31May5	\$15.83	\$ 15.25	\$16.50	16.7%	\$ 1.29	8.5%
Yellow Pages Income Fund	YLO.UN	1-SO	Low	31May5	\$14.06	\$ 13.78	\$16.25	25.8%	\$ 1.09	7.9%
Consumer Staples (S&P/TSX Weight 2.6%, Recommend Market Weight)										
Health Care (S&P/TSX Weight 0.6%, Recommend Underweight)										
Industrials (S&P/TSX Weight 5.3%, Recommend Overweight)										
BFI Canada Income Fund	BFC.UN	1-SO	Medium	3NOV6	\$24.50	\$ 26.35	\$32.50	30.2%	\$ 1.82	6.9%
TransForce Income Fund	TIF.UN	1-SO	High	9Feb6	\$19.47	\$ 11.41	\$15.00	45.4%	\$ 1.59	13.9%
Technology (S&P/TSX Weight 4.9%, Recommend Underweight)										
Energy (S&P/TSX Weight 27.1%, Recommend Underweight)										
Freehold Royalty Trust	FRU.UN	1-SO	High	8Sep6	\$20.32	\$ 15.01	\$18.00	31.9%	\$ 1.80	12.0%
Vermilion Energy Trust	VET.UN	2-SP	High	8SEP6	\$34.08	\$ 36.70	\$43.00	22.7%	\$ 2.04	5.6%
Basic Materials (S&P/TSX Weight 17.9%, Recommend Underweight)										

Rating definitions:

1-SO = Sector Outperform

2-SP = Sector Perform

3-SU = Sector Underperform

T = Tender

UR = Under Review

R = Restricted

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Allied Properties REIT, BFI Canada Income Fund, Consumers' Waterheater Income Fund, The, Yellow Pages Income Fund

The Fundamental Research Analyst/Associate has visited material operations of this issuer.

Allied Properties REIT, Artis REIT, BFI Canada Income Fund, Yellow Pages Income Fund

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Allied Properties REIT, Artis REIT, BFI Canada Income Fund, Calloway REIT, Yellow Pages Income Fund

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U.S. Equity Recommended List



Sector	Symbol	Rating	Risk	scQFactor +	Date Added	Price Added	Price 19OCT7	Target Price	Target ROR	Div.	Div. Yield
Financials (S&P 500 Weight 19.1%, Recommend Overweight)											
Allstate Corp ^	ALL	Outperform	Low	1	09FEB06	US\$52.59	US\$ 54.49	US\$ 68.00	27.6%	US\$1.52	2.8%
Bank Amer Corp ^	BAC	Outperform	Low	2	12DEC06	US\$52.80	US\$ 47.57	US\$ 58.00	27.3%	US\$2.56	5.4%
J P Morgan Chase & Co ^	JPM	Outperform	Medium	2	24JAN1	US\$53.25	US\$ 45.02	US\$ 65.00	47.8%	US\$1.52	3.4%
Lehman Bros Hldgs Inc ^	LEH	Neutral	Medium	2	26JUL6	US\$62.44	US\$ 57.22	US\$ 90.00	58.3%	US\$0.60	1.0%
Metlife Inc ^	MET	Outperform	Low	1	21AUG07	US\$63.86	US\$ 65.65	US\$ 75.00	15.1%	US\$0.59	0.9%
Telecommunication Services (S&P 500 Weight 3.7%, Recommend Overweight)											
At&t Inc ^	T	Outperform	Low	4	12JUN06	US\$26.66	US\$ 41.37	US\$ 46.00	14.6%	US\$1.42	3.4%
Utilities (S&P 500 Weight 3.3%, Recommend Underweight)											
Edison Intl ^	EIX	Outperform	Low	2	19SEP6	US\$41.42	US\$ 54.16	US\$ 63.00	18.6%	US\$1.24	2.3%
Consumer Discretionary (S&P 500 Weight 9.3%, Recommend Market Weight)											
Disney Walt Co ^	DIS	Outperform	Medium	6	3FEB3	US\$17.21	US\$ 33.81	US\$ 38.00	13.3%	US\$0.31	0.9%
Nike Inc ^	NKE	Outperform	Medium	6	05JUL07	US\$59.35	US\$ 63.33	US\$ 65.00	3.8%	US\$0.74	1.2%
Time Warner Inc	TWX	Outperform	Medium	5	3FEB4	US\$17.26	US\$ 17.96	US\$ 20.00	12.8%	US\$0.25	1.4%
Consumer Staples (S&P 500 Weight 9.6%, Recommend Overweight)											
Cvs Corp ^	CVS	Outperform	Low	5	17OCT06	US\$31.13	US\$ 39.14	US\$ 44.00	13.0%	US\$0.24	0.6%
Pepsico Inc	PEP	n.a.	Low	8	24AUG07	US\$68.22	US\$ 70.40	US\$ 79.00	14.3%	US\$1.50	2.1%
Procter & Gamble Co	PG	n.a.	Low	8	27JUN07	US\$61.43	US\$ 70.80	US\$ 76.00	9.3%	US\$1.40	2.0%
Wal Mart Stores Inc ^	WMT	Outperform	Low	2	10MAY5	US\$48.72	US\$ 44.98	US\$ 55.00	23.8%	US\$0.67	1.5%
Health Care (S&P 500 Weight 11.8%, Recommend Market Weight)											
Becton Dickinson & Co	BDX	n.a.	Low	8	26SEP07	US\$82.61	US\$ 81.74	US\$ 85.00	5.2%	US\$0.98	1.2%
Lilly Eli & Co ^	LLY	Outperform	Low	6	17OCT06	US\$57.55	US\$ 56.06	US\$ 62.00	13.6%	US\$1.70	3.0%
Unitedhealth Group Inc	UNH	Outperform	Low	3	17OCT5	US\$56.44	US\$ 47.45	US\$ 62.00	30.7%	US\$0.03	0.1%
Wellpoint Inc ^	WLP	Neutral	Low	2	31JAN06	US\$76.80	US\$ 78.78	US\$ 82.00	4.1%	US\$0.00	0.0%
Industrials (S&P 500 Weight 11.4%, Recommend Overweight)											
Caterpillar Inc Del ^	CAT	Outperform	Medium	4	11MAY06	US\$79.62	US\$ 73.57	US\$ 90.00	24.3%	US\$1.44	2.0%
General Elec Co	GE	Outperform	Low	6	11APR07	US\$34.95	US\$ 40.04	US\$ 45.00	15.2%	US\$1.12	2.8%
United Parcel Svc Inc ^	UPS	Outperform	Low	6	11APR07	US\$70.47	US\$ 75.03	US\$ 92.00	24.9%	US\$1.68	2.2%
United Technologies Corp ^	UTX	Outperform	Low	5	11APR07	US\$64.08	US\$ 76.00	US\$ 84.00	12.2%	US\$1.28	1.7%
Technology (S&P 500 Weight 16.6%, Recommend Overweight)											
Apple Computer Inc	AAPL	Outperform	High	10	9JAN07	US\$92.57	US\$170.42	US\$185.00	8.6%	US\$0.00	0.0%
Cisco Sys Inc ^	CSCO	Outperform	Medium	10	12DEC06	US\$27.08	US\$ 31.50	US\$ 38.00	20.6%	US\$0.00	0.0%
Ebay Inc	EBAY	Outperform	High	10	25JAN07	US\$32.45	US\$ 36.72	US\$ 43.00	17.1%	US\$0.00	0.0%
Microsoft Corp ^	MSFT	Outperform	Low	9	21AUG07	US\$28.07	US\$ 30.17	US\$ 35.00	17.3%	US\$0.40	1.3%
Oracle Corp ^	ORCL	Outperform	Low	9	10May5	US\$11.52	US\$ 20.75	US\$ 26.00	25.3%	US\$0.00	0.0%
Energy (S&P 500 Weight 11.9%, Recommend Underweight)											
Peabody Energy Corp	BTU	Outperform	Medium	9	27MAR07	US\$40.69	US\$ 50.58	US\$ 47.00	-6.6%	US\$0.24	0.5%
Globalsantafe Corp	GSF	Outperform	Low	n.a.	20FEB07	US\$55.88	US\$ 75.05	US\$ 81.00	9.1%	US\$0.90	1.2%
Transocean Inc ^	RIG	Outperform	Medium	9	21FEB07	US\$77.70	US\$110.70	US\$120.00	8.4%	US\$0.00	0.0%
Basic Materials (S&P 500 Weight 3.2%, Recommend Underweight)											
Bunge Limited	BG	Outperform	Medium	n.a.	9MAR07	US\$78.34	US\$106.01	US\$108.00	2.5%	US\$0.62	0.6%
Freeport Mcmoran Copper&gold	FCX	Outperform	High	5	7MAR07	US\$56.19	US\$109.74	US\$110.00	1.4%	US\$1.25	1.1%

^ U.S. Core Portfolio Stocks.

+ scQFactor is a quantitative equity ranking algorithm produced by Scotia Capital's QUANTResearch team. Stocks are ranked based on their relative scores and are shown in deciles (1=Best, 10=Worst). scQFactor currently has 20 factor models contributing to the overall rank.

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