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CANADIAN BANKS LOOK VULNERABLE

Contrary to what Canadian banks want you to believe, they did not necessarily survive the financial crisis because they saw it coming.

However Murray Leith, director of investment research with Odlum Brown, warns that the Big Six in Canada are less than invincible.

"We believe the enthusiasm toward Canadian banks is becoming a little overdone," Mr. Leith said in a note to clients. "In our opinion, the Canadian banks and their regulators get a little more credit than they deserve."

"The industry has benefited from elements of good luck, fortunate timing and a lot more government support than is generally appreciated," he said.

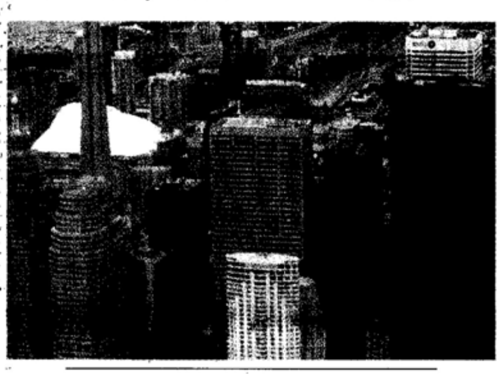
Canada was one of the last countries to enter recession, and when the country began sliding in the fourth quarter of 2008, it coincided with unprecedented stimulus initiatives around the world. This shot in the arm helped keep Canada's economy afloat and slowed the momentum of the downturn.

Add in the emergency moves taken by the Bank of Canada and government, and it has created an atmosphere of high borrowing and even higher housing prices. Some economists are even throwing out the "bubble" word when looking at Canada's real estate market.

Even so, Mr. Leith does not expect the bottom to fall out of Canadian banks in 2010. "We are highlighting the growing vulnerabilities in the banking sector to remind investors not to get carried away," he said.

Investors who are overweight on Canadian banks should look at diversifying into other sectors, such as consumer products and health care. For the more adventurous, JPMorgan Chase is also an intriguing alternative as its valuation is more attractive. Mr. Leith sees the bank's shares performing "considerably better" than those of the Canadian banks over the next five to 10 years.

Eric Lam



FALLING CHEESE PRICE WON'T HURT SAPUTO

An abrupt drop in cheese prices this month will likely impact **Saputo Inc.**'s bottom line, but not nearly enough for investors to worry about, says Peter Sklar, BMO Capital Markets analyst.

The spot price of 40-pound block cheddar cheese declined to US$1.50 per pound on Dec. 29 from US$1.70 per pound on Dec. 22.

"Although a weaker block price is an obvious negative development for Saputo, we third calendar quarter of 2009 partially resulted in a recent surge in U.S. dairy exports.

"We anticipated that Oceania milk production would eventually recover and that dairy producers in those two countries would recapture lost market share, which could cause global dairy prices (including those in the U.S.) to retreat somewhat," he wrote.

"The recent correction in cheese prices may reflect expectations for a reversion to

COMMENT

The best investment newsletters

Five of 2008's worst performers in top 10 for '09

Peter Brimelow

It's a funny old world, British Prime Minister Margaret Thatcher once remarked. For stocks, it's been a funny old year.

A good year, of course. The dividend-reinvested Wilshire 5000 Total Stock Market Index gained 27.10% through November.

But the turbulence among the investment newsletters followed by the *Hulbert Financial Digest* has been extraordinary.

No less than five of this year's Top 10 also appeared on last year's Terrible 10 — the bottom performers of more than 180 letters followed by the HFD.

Three of them were hard-asset letters that had done well in this decade through last year and essentially rode right through the Crash of 2008: *The Ruff Times*, *International Harry Schultz Letter*, and *The Dines Letter*.

But one of them, along with another of this year's Top 10, didn't trade at all for assorted reasons: *Closed End Country Fund Report* and *Equities Special Situations*. They are examples of what I call the "El Cid Effect" — after the Spanish crusader whose armored corpse was put atop his horse and sent into battle to scatter the enemy — right by luck or judgment on a stock of a major trend.

Closed End Country Fund hasn't traded since 2004 — its major trend, a weakening dollar, is indeed pretty major.

One rebounder, *Linde Equity Report*, is what Mark Hulbert and I call a "rifleshooter" — focused on an undiversified handful of stocks. That's a system that typically results in volatility that can work both ways. Last year, Linde's longer-term record caused me to doubt it could rebound. I am happy to say I was wrong.

Similarly, I have been quite skeptical over the years about Michael Murphy, currently reborn as the editor of *New World Investor*. But he's undeniably enjoying a dramatic rejuvenation. It makes you think there's still hope for Baby Boomers.

I will be writing more about three newcomers to the Top 10: *Global Investing*, *Forbes Special Situation Survey*, and *Motley Fool Rule Breakers*. Actually, I used to write about Vivian Lewis' *Global Investing*. But she converted to a forum format that I find hard to follow, especially on deadline.

Finally, let me note that nearly a year ago, when the Dow Jones Industrial Average was around 8300, Ed Rubenstein and I wrote this, based on our reading of long-run total cumulative return data:

"Stocks are now (finally) low by historic standards. They can move sideways or go lower, perhaps by quite a lot. But they can't go all that much lower before getting to unsustainable depths. And, someday, they have to go up."

We got a whole 641 comments, almost all of them abusive. And the Dow did go quite a lot lower.

But today it's more than 2000 points higher.

Whoopee!

Dow Jones

BEST NEWSLETTERS OF 2009

Letter	Returns
Equities Special Situations	174%
The Ruff Times	168.5%
Linde Equity Report	157.2%
The Dines Letter	149.4%
International Harry Schultz Letter	141.4%
Michael Murphy's New World Investor	120.1%
Closed End Country Fund Report	81.7%
Global Investing	71.7%
Forbes Special Situation Survey	69.9%
Motley Fool Rule Breakers	68.3%

SOURCE: HULBERT FINANCIAL DIGEST

Avatar film a hit with IMAX investors

STOCK AT 5-YEAR HIGH

By David Pett

Boffo box office for the new 3D movie *Avatar* is giving shares in **IMAX Corp.** another leg up in what has already been a impressive turnaround year for a company that not too long ago was largely written off by investors.

"The combination of digital technology and management foresight saved this company," said James Marsh, Piper Jaffray analyst based in New York.

"For a while, it was very touch and go for shareholders, but now the business is working well as demonstrated by the box office every day. I think their problems are in the rear view mirror."

On Tuesday, IMAX released its latest figures for *Avatar*, that showed the new science fiction flick from *Titanic* director James Cameron grossed about US$8.8-million from Dec. 25 to 27 in 179 IMAX theatres in the United States.

The proceeds are approximately 12% of the film's total domestic gross of $75.6-million during the past weekend, despite the fact IMAX theatres make up less than 3% of the total screens showing *Avatar* across the United States.

Internationally, the box office of US$3.6-million from 70 IMAX theatres over the past weekend was equally impressive, and IMAX shares have been on a two-day run of almost 10%, closing at a near five-year high of $14.50 yesterday.

Tuesday's close is a whopping 335% improvement from a little over a year ago, when investors and analysts alike were betting that the company's massively leveraged balance sheet was to big an obstacle to overcome, and sold shares down to a low of $3.21 on Nov.