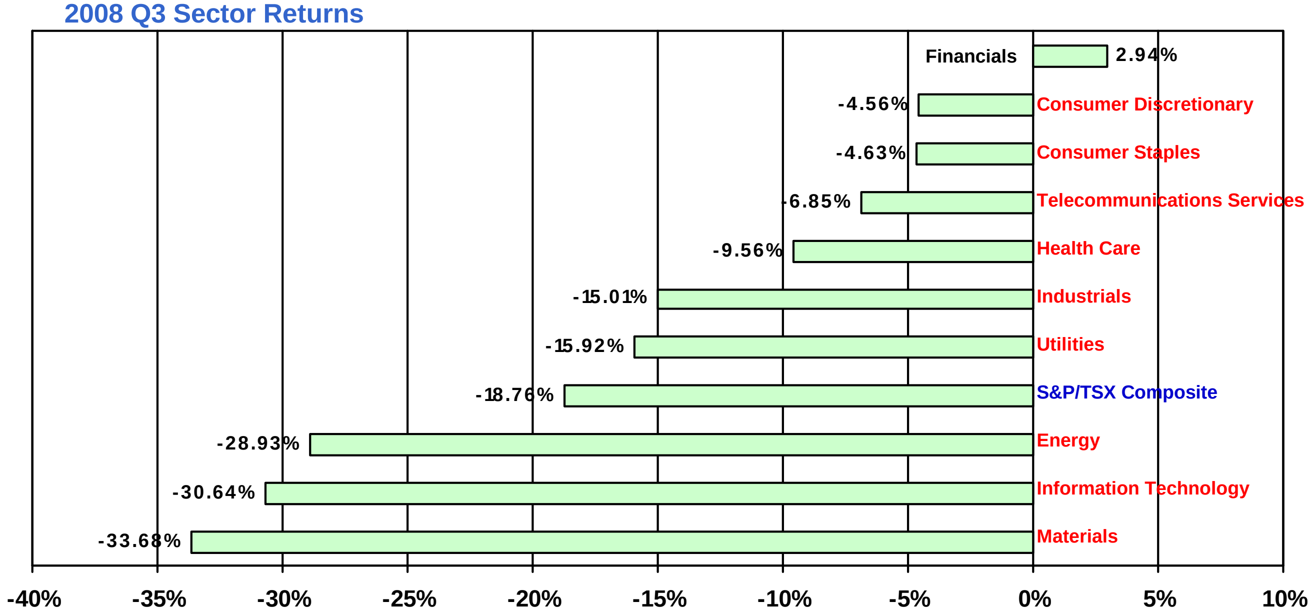
2008 Q3: Canadian markets suffer in global meltdown in stock prices

Materials, Information Technology and Energy sectors experience huge losses

2008 Q3 Sector Returns



- TSX 60 (large cap) stocks continued to outperform the broader market, a trend which began in Q3 2007.
- Canada trailed the US market (S&P 500) in Q3 primarily due to high Materials and Energy exposure in Canada. The S&P/TSX Composite returned -18.8% versus -8.9% for the S&P 500.
- The Canadian market remains above the US market YTD (-15.1% vs. -20.6%) in home currency terms. However in Canadian dollar terms the YTD decline is comparable (-15.1% in Canada and -15.8% in US).
- Materials stocks led the market down as fears of global recession were reflected in lower commodity prices.
- Crude oil prices fell from around $140 per barrel at the end of Q2 to less than $100 at the end of Q3. This drop hurt most global energy stocks, but Canadian stocks were particularly hard hit.
- Surprisingly, Financials were the only positive sector in Q3. Canadian financial stocks dramatically outperformed global counterparts, probably due to their lower exposure to the sub-prime mortgage mess which probably caused a "flight to quality" from US and European financials to Canadian ones.

2008 Index Returns	Q3	YTD
S&P/TSX Composite	**-18.76%**	**-15.04%**
S&P/TSX 60 (Large Cap)	-18.06%	-12.52%
S&P/TSX Mid Cap	-21.20%	-23.03%
S&P/TSX Small Cap	-26.01%	-27.66%

Q3 Biggest Contributors	Q3 Biggest Detractors
Royal Bank of Canada	Potash Corporation
Manulife Financial	Research in Motion
Great-West Lifeco	EnCana
CIBC	Cdn Natural Resources
Bank of Montreal	Suncor Energy
Fairfax Financial	Petro-Canada
Duvernay Oil	Imperial Oil
Bank of Nova Scotia	Goldcorp
BCE Inc.	Nexen
Metro Inc.	Teck Cominco

LINDE EQUITY
Independent Research & Advice

9 – 1301 Johnston St.
Vancouver, BC V6H 3R9
Tel: 604-738-5600
www.lindeequity.com

Sector	Q3 Return	Biggest Impacts
Financials 31% of S&P/TSX Composite	+2.94%	• Canada's large banks performed very well relative to the market benefiting from relatively light exposure to the US sub-prime mortgage mess leading to the perception that they are safe havens during this financial crisis. Royal Bank of Canada (+10%), CIBC (+9%) and Bank of Montreal (+8%) led the way. • Life insurance companies were mixed in Q3. Manulife (+7%) and Great-West Lifeco (+8%) were strong contributors, while SunLife (-11%) was a strong detractor.
Consumer Discretionary 4% of S&P/TSX Composite	-4.56%	• As in the US, the consumer discretionary sector has begun to outperform the broader market – a trend that should be monitored as it may indicate a bottoming process for the sector. • Thomson Reuters (-12%) led detractors in the sector on concerns about the economic health of its customer base.
Consumer Staples 3% of S&P/TSX Composite	-4.63%	• Shoppers Drug Mart (-8%), which appeared to decline with the general market, Viterra (-27%), which dropped on concerns about wheat prices, and Saputo (-13%), which dropped on weaker by-product pricing, were the major detractors in Q3.
Telecommunications Services 5% of S&P/TSX Composite	-6.85%	• Rogers Communications (-13%) and Telus (-9%) were the biggest detractors in Q3 on concerns about increasing competition in wireless leading to reduced earnings expectations for incumbents. • BCE (+3%) contributed to sector performance due to increased certainty of financing in the deal to take BCE private. However, shares dropped in September amid doubts the deal would hold in the wake of the global financial crisis.
Health Care <1% of S&P/TSX Composite	-9.56%	• The sector has very little impact on the Canadian market. • MDS (-23%) was the significant detractor to sector performance on continued weaker than expected financial performance.
Industrials 5% of S&P/TSX Composite	-15.01%	• Bombardier (-22%) and SNC-Lavalin (-31%) led sector detractors in Q3 and have been performing erratically all year. Both companies' success is subject to customers' ability to finance purchases and projects and the credit crisis has raised doubts in this area. • Canadian Pacific Railways (-16%) fell on disappointing results, lowered guidance and concerns about falling commodity prices.
Utilities 2% of S&P/TSX Composite	-15.92%	• Every stock in the sector declined. Many Canadian utilities have somewhat tracked Energy sector performance in the recent past. • Transalta (-22%) was the biggest detractor to sector performance.
Energy 29% of S&P/TSX Composite	-28.93%	• The Energy sector was pummelled due to the drop in crude prices. • Of the 68 stocks in the sector at quarter end, 67 were down for Q3. • Leading sector detractors included EnCana (-27%), Canadian Natural Resources (-28%), Suncor (-26%), Petro-Canada (-38%), Imperial Oil (-19%) and Nexen (-39%).
Information Technology 4% of S&P/TSX Composite	-30.64%	• Research in Motion (-40%) was responsible for almost all of the sector's decline, losing $27 billion in market capitalization during Q3. RIM forecasted future margin deterioration, which appears is part of its plan to grow share. The market clearly has doubts about this plan. • Nortel Networks (-72%) also detracted from Q3 performance based on its announcement of disappointing earnings, lowered outlook, cost cutting measures and planned divestitures.
Materials 17% of S&P/TSX Composite	-33.68%	• Materials stocks were severely impacted by a perception that global commodity prices had peaked and would fall going forward. • Of the 52 stocks in the sector at quarter end, 49 were down for Q3. Fertilizer, gold and diversified mining companies led the decline. • Potash Corp. of Saskatchewan (-42%) lost $32 billion of market capitalization, leading detractors in the sector and the market. • Goldcorp (-29%), Teck Cominco (-39%), Agrium (-46%), Barrick Gold (-17%), Yamana Gold (-48%) and Kinross (-29%) all detracted from sector performance.