

Market Focus

Market Summary

	12-Jan	% Change		
		1 Day	M/M	Y/Y
S&P/TSX Composite	9,085	-1.5%	8.3%	-33.4%
S&P/TSX Venture	909	1.0%	27.4%	-67.5%
S&P 500	890	-2.1%	1.9%	-36.4%
Dow Jones	8,599	-1.6%	0.4%	-31.8%
NASDAQ	1,572	-2.8%	4.2%	-35.6%
CAD/USD	1.198	-3.2%	2.5%	-33.1%
Crude Oil (USD/bbl)	\$38.66	-2.1%	-14.9%	-55.9%
Gold (USD/oz)	\$828	-0.4%	4.0%	-7.6%
Silver (USD/oz)	\$10.86	1.3%	8.8%	-30.5%

Source: Bloomberg

What happened on Friday – Negative employment data out of both Canada and the United States as well as weak oil prices led to a weaker trading session in North American markets on Friday. With the 136 point loss (1.5%), the main Toronto S&P/TSX index continues to give back early year gains and after being up close to 6% in the first week of the year the gains now only measure 1%. This latest data from the economy clearly indicates we are operating in a difficult period. The news south of the border was similar with declines of the major indexes in the 2% range. In the US, energy stocks were among the biggest decliners following Chevron's warning of significantly lower fourth quarter results as a result of the continued weakness in oil prices.

Upcoming Events

Upcoming Economic Events	Date
International trade - 8:30 ET	13-Jan
Retail Sales - 8:30 ET	14-Jan
EIA petroleum status report - 10:30 ET	14-Jan
Producer price index - 8:30 ET	15-Jan
Initial jobless claims - 8:30 ET	15-Jan
EIA natural gas report - 10:35 ET	15-Jan
Initial jobless claims - 8:30 ET	15-Jan
Consumer price index - 8:30 ET	16-Jan
Industrial production - 9:15 ET	16-Jan
Consumer sentiment - 10:00 ET	16-Jan

Source: Bloomberg

What's on tap today – Q4 earnings season essentially begins today with Alcoa kicking off the results after the close. Stocks are pointing to a slightly lower open ahead of earnings results and in the backdrop of Friday's weak economic data. Asian markets sold off in today's session as resource and airlines stocks were weak. The commodity picture remains weak with crude oil trading below US\$40/b on demand concerns.

Commodity Report

Crude Oil

Today: Feb. '09 Down US\$2.17/bbl (5.3%) to US\$38.66/bbl

Crude oil fell below \$40/bbl again as concern over demand was brought to the forefront of information. After last weeks inventory report showed a large build, and global recessionary talks continued, investors saw more downside in the price. The OPEC cuts announced do not seem to offset the fall in demand according to traders.

Natural Gas

Today: Feb.'09 Down US\$0.03/mmbtu (0.5%) to US\$5.49/mmbtu

The price of natural gas is flat this morning after dropping every day last week. The focus still remains on the European countries that were affected by the Russian gas dispute and adjusting to the new deal.

Energy

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	12-Jan	% Change		
		1 Day	M/M	Y/Y
S&P/TSX Energy Index	218.9	-2.4%	2.8%	-34.6%
AMEX Oil Index	978.8	-3.2%	3.5%	-35.0%
Oil Sector Index	129.1	-6.2%	2.8%	-56.8%
Crude Oil				
WTI				
Spot (\$US/b)	\$40.83	-2.1%	-6.2%	-57.3%
1 month (\$US/b)	\$38.66	-2.1%	-11.2%	-59.6%
12 month (\$US/b)	\$59.48	0.4%	7.0%	-34.3%
Brent (\$US/b)	\$44.16	-7.1%	4.8%	-53.9%
Edm. Par (\$CAD/b)	\$46.93	0.1%	4.4%	-51.6%
Edm. Lloyd Blend (\$CAD/b)	\$37.86	-3.9%	-5.4%	-42.2%
Natural Gas				
Henry Hub				
Spot (\$US/mmbtu)	\$5.59	-6.5%	-1.6%	-29.1%
1 month (\$US/mmbtu)	\$5.49	-1.2%	-1.3%	-22.0%
12 month (\$US/mmbtu)	\$7.37	-0.7%	0.1%	-19.6%
AECO				
Spot (\$CAD/GJ)	\$5.72	-5.5%	-7.9%	-17.0%
Fwd Summer (\$CAD/GJ)	\$5.89	0.9%	-10.4%	-16.0%
Fwd Winter (\$CAD/GJ)	\$7.20	-0.3%	-10.3%	-7.5%
Net Long Positions				
	Week of	Previous		
	12-Jan	Week	Month	Year
Crude Oil	10,122	(283)	23,746	(5,583)
Natural Gas	(38,441)	(36,152)	(39,506)	(23,745)
Storage				
	Week of	W/W	Y/Y	5-Year
	2-Jan			Avg.
U.S.				
Crude Oil (MMbbs)	325	2.1%	15.1%	10.8%
Distillates (MMbbs)	138	1.3%	7.1%	3.7%
Gasoline (MMbbs)	211	1.6%	-0.8%	-0.2%
Refinery (%)	84.6%	2.6%	-7.4%	-7.6%
Storage				
Natural Gas (Bcf)	2830	-1.6%	2.9%	5.4%
Cdn Gas Storage (Bcf)	159	0.0%	-33.2%	5.5%
U.S. Degree Days				
	Week of	5 Year	Year	% from 5
	12-Jan	Avg.	Ago	Yr Avg.
Heating Degree Days	1913	1913	1984	0%
Cooling Degree Days	1282	543	3	136%
Rig Utilization Rates				
	Current	Previous		
		Week	Month	Year
Alberta	36%	34%	40%	50%
B.C.	62%	52%	55%	81%
Saskatchewan	31%	33%	51%	48%
Other	36%	36%	46%	67%
Total Western Canada	39%	36%	44%	54%
U.S. (Rig Count)	1,589	1,721	1,852	1,774

Source: Bloomberg

Talisman Energy Inc. (TLM-T \$12.47 | NR) plans to spend \$7.5 billion over a 10 year period pursuing natural gas in the Montney formation north of the town of Hudson's Hope, B.C. It owns 60 sections of land in an area called Farrell Creek, will drill seven wells there this year – three vertical and four horizontal - and will build a gas plant with as much as 20 mmcf/d of capacity. This mammoth program hinges on a 4 mmcf/d vertical well that Talisman drilled using a 'Barnett-style' slick-water frac.

Talisman's plans have implications for **Canadian Spirit Resources (SPI-V \$0.64 | Target \$1.50 | Recommendation: Buy)** which has a large land position of its own at Farrell Creek. CSRI has spent several years evaluating tight gas in the shallow Gething formation and has entered into a joint venture agreement with Shell to develop the Gething. It also owns deeper Montney rights and entered into a joint venture with privately owned Canbriam Energy to explore the Montney. The first two deep wells, drilled on the east side of CSRI's block were not encouraging but Canbriam was using a different fracture stimulation technique so it may be premature to write-off the east block. Next, Canbriam will drill a couple of Montney tests on CSRI's west block under a \$29 million commitment. In the interim, Talisman has drilled a second Montney test on lands surrounded by CSRI acreage but went to great lengths to keep its results confidential.

Shell is proceeding with construction of production facilities and will tie-in the first seven Gething wells in mid - late March, satisfying its initial \$50 million commitment to CSRI. At some point it will decide whether or not to pool its own extensive land holdings with those of CSRI and spend another \$50 million on the Gething.

While we are somewhat pessimistic about natural gas prices, precisely because of huge new unconventional gas resources like this one, Canadian Spirit is our choice of stocks for exposure to natural gas.

Mining

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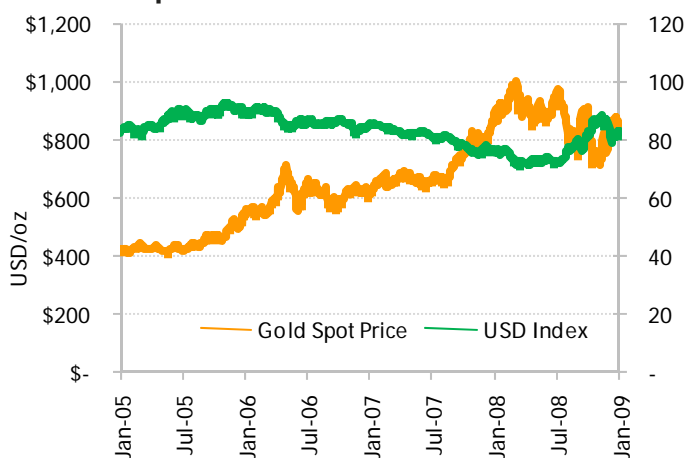
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	12-Jan	% Change		
		1 Day	M/M	Y/Y
S&P/TSX Gold Index	2,380	-1.3%	3.6%	-21.5%
XAU Index	114.5	-2.5%	7.6%	-39.8%
US Dollar Index	83.0	1.4%	-2.9%	8.6%
Precious Metals (price/oz)				
Gold	\$828	-0.4%	2.1%	-5.8%
Silver	\$10.86	1.3%	6.1%	-30.8%
Platinum	\$954	0.0%	0.1%	0.9%
Palladium	\$187	0.0%	0.1%	0.9%
Base Metals (price/lb)				
Copper	\$1.53	6.5%	2.9%	-53.3%
Nickel	\$5.49	5.5%	18.8%	-58.6%
Lead	\$0.55	4.8%	23.5%	-53.2%
Zinc	\$0.58	5.0%	16.8%	-48.9%
Tin	\$5.40	3.7%	-1.3%	-26.8%
Inventory (metric tonnes)				
Copper	35,257	-0.2%	92.6%	141.3%
Nickel	78,594	-0.3%	18.7%	63.6%
Lead	45,025	1.0%	2.7%	-8.7%
Zinc	259,775	0.0%	17.9%	174.3%
Tin	7,975	0.6%	71.0%	-33.9%
Steel Making				
Iron Ore (Qingdao Import)	\$680	7.9%	11.5%	-55.8%
Pig Iron (\$/tonne Black Sea)	\$275	0.0%	0.0%	-33.7%
Mett. Coal (\$/short ton)	\$148	0.0%	0.0%	65.3%
Moly. (\$/lb canned oxide)	\$12.38	0.0%	0.0%	-62.3%
Chromium (\$/lb min 99%)	\$4.25	7.1%	-8.5%	-2.8%
Vanadium	\$15.21	0.0%	0.0%	105.4%
Other				
Uranium (price/lb)	\$52.00	0.0%	-3.7%	-41.6%
Diamonds (avg. for 1 karat)	\$7,036	0.0%	-5.0%	-0.6%

Colossus Minerals Inc. (CSI-T \$1.27 | NR) announced encouraging drill results from their remaining 5,000 meter Phase I diamond drill program of the Serra Pelada Project (earning a 75% interest), located in Para State, Brazil. Highlights of the results include: Hole SPD-018: 14.37 g/t gold, 1.81 g/t platinum and 2.46 g/t palladium over 60.5 meters. Hole SPD-013: 20.68 g/t gold, 3.26 g/t platinum and 3.91 g/t palladium over 23.0 meters.

The Company's previous exploration programs have extended the mineralization along ~250 meters of strike length towards the southwest of the pit (~ 2.0 Moz of gold was extracted by ~70,000 garimpeiros in the 1980's). Colossus has initiated a Phase II in-fill drill program to delineate a resource estimate by Q3/09.

Spot Gold Price vs. USD Index



Source: Bloomberg

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